No. 01-

IN THE

Supreme Court of the United States

JAZZ PHOTO CORPORATION
AND DYNATEC INTERNATIONAL, INC.,
Petitioners,

v.

INTERNATIONAL TRADE COMMISSION
AND FUJI PHOTO FILM CO., LTD.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

JEFFREY I. KAPLAN
KAPLAN & GILMAN, LLP
900 Route 9 North
Woodbridge, New Jersey 07095
(732) 634-7634

Counsel for Jazz Photo Corp.

LARRY R. LAYCOCK
DAVID R. WRIGHT
L. DAVID GRIFFIN
WORKMAN, NYDEGGER & SEELEY
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111
(801) 533-9800

Counsel for Dynatec International, Inc.

CARTER G. PHILLIPS*
STEPHEN B. KINNAIRD
MICHAEL S. LEE
JULIE N. ZAMPA
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

Counsel for Petitioners

PUBLIC VERSION

February 6, 2002

* Counsel of Record

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

3848

QUESTION PRESENTED

Whether a United States patentee (or its licensee) who sells a patented article abroad without any restriction on use or resale has the right under the patent laws to prevent the owner of that article from using, repairing, reselling, or importing the article in the United States?

LIST OF PARTIES

In addition to the parties named in the caption, Opticolor, Inc. was a respondent before the International Trade Commission and an appellant before the United States Court of Appeals for the Federal Circuit. The following additional parties were respondents before the International Trade Commission but were not appellants before the Federal Circuit:

Achiever Industries Ltd.
Ad-Tek Specialties Inc.
AmerImage, Inc. d/b/a Rainbow Products
Argus Industries
Boechs Camera LLC
Boshi Technology Ltd.
BPS Marketing
China Film Equipment Corp.
E.T. Trading Ltd. d/b/a Klikit
Fast Shot
Forcecam, Inc.
Haichi International Inc.
Innovative Trading Co.
Labelle Time, Inc.
Linfa Photographic Ind. Co. Ltd.
Opticam Inc.
P.S.I. Industries, Inc.
Penmax, Inc.
PhilmEx Photographic Film
Rino Trading Co., Ltd.
Sakar International, Inc.
T.D.A. Trading Corp.
Vantage Sales, Inc.
Vivitar Corporation.

RULE 29.6 STATEMENTS

Petitioner Jazz Photo Corporation ("Jazz Photo) has no parent corporation, and no other publicly held corporation owns more than 10% of its stock. Petitioner Dynatec International, Inc. ("Dynatec") has no parent corporation, and no other publicly held corporation owns more than 10% of its stock. Dynatec has filed for bankruptcy, and its successor in interest with regard to the ongoing business concerns at issue in this case is Grandway U.S.A Corporation ("Grandway"). Grandway has no parent corporation, and no other publicly held corporation owns more than 10% of its stock.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
LIST OF PARTIES	ii
RULE 29.6 STATEMENTS	iii
TABLE OF AUTHORITIES	vii
JUDGMENT FOR WHICH REVIEW IS SOUGHT	1
JURISDICTION	2
CONSTITUTIONAL, STATUTORY, OR OTHER LEGAL PROVISIONS	2
STATEMENT OF THE CASE	2
REASONS FOR GRANTING THE PETITION	9
I. THE FEDERAL CIRCUIT'S RULING, WHICH IS BASED ON A MISREADING OF THIS COURT'S PRECEDENT, IS A DRAMATIC BREAK FROM A CENTURY OF PATENT LAW	13
A. It Was Established Law Prior To *Boesch* That An Unrestricted Sale By The Patentee Or Its Licensees Exhausts The Patent Regardless Of The Situs Of The Sale	13
B. *Boesch* Did Not Modify The Rule That An Unrestricted Sale Abroad By The United States Patentee Exhausts Its Rights In The Article	16
C. The Ruling Below Conflicts With Second Circuit Authority And Overturns Law That Had Been Settled For A Century	18

TABLE OF CONTENTS – continued

Page

II THE FEDERAL CIRCUIT'S DRAMATIC BREAK FROM SETTLED LAW ON AN ISSUE CRITICAL TO INTERNATIONAL TRADE AND THE ALLOCATION OF PROPERTY RIGHTS WARRANTS THIS COURT'S REVIEW 22

CONCLUSION 28

TABLE OF AUTHORITIES

CASES Page

Adams v. *Burke*, 84 U.S. (17 Wall.) 453 (1873) ... 13, 25
Aro Mfg. Co. v. *Convertible Top Replacement Co.*, 377 U.S. 476 (1964) ... 14, 23
Aro Mfg. Co. v. *Convertible Top Replacement Co.*, 365 U.S. 336 (1961) ... 24
Bloomer v. *Millinger*, 68 U.S. (1 Wall.) 340 (1863) ... 14, 25
Boesch v. *Gräff*, 133 U.S. 697 (1890) ... 8, 13, 17, 18
Brulotte v. *Thys Co.*, 379 U.S. 29 (1964) ... 15
Curtiss Aeroplane & Motor Corp. v. *United Aircraft Eng'g Corp.*, 266 F. 71 (2d Cir. 1920) ... 14, 19, 20
Dickerson v. *Matheson*, 57 F. 524 (2d Cir. 1893) ... 19
Dickerson v. *Tinling*, 84 F. 192 (8th Cir. 1897) ... 25
General Talking Pictures Corp. v. *Western Elec. Co.*, 305 U.S. 124 (1938) ... 15
Henry v. *A.B. Dick Co.*, 224 U.S. 1 (1912), *overruled on other grounds, Motion Pictures Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502 (1917) ... 14
Holiday v. *Mattheson*, 24 F. 185 (C.C.S.D.N.Y. 1885) ... 16
Kabushiki Kaisha Hattori Seiko v. *Refac Tech. Dev. Corp.*, 690 F. Supp. 1339 (S.D.N.Y. 1988) ... 20
Keeler v. *Standard Folding Bed Co.*, 157 U.S. 659 (1895) ... 14
Kendal v. *Winsor*, 62 U.S. (21 How.) 322 (1858) ... 25
Kendall Co. v. *Progressive Med. Tech., Inc.*, 85 F.3d 1570 (Fed. Cir. 1996) ... 14
Mallinckrodt, Inc. v. *Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992) ... 15
Mitchell v. *Hawley*, 83 U.S. (16 Wall.) 544 (1872) ... 14

TABLE OF AUTHORITIES – continued

	Page
Sanofi, S.A. v. *Med-Tech Veterinarian Prods., Inc.*, 565 F. Supp. 931 (D.N.J. 1983)	20
Sears Roebuck & Co. v. *Stiffel Co.*, 376 U.S. 225 (1964)	15
United States v. *Masonite Corp.*, 316 U.S. 265 (1942)	25
United States v. *Univis Lens Co.*, 316 U.S. 241 (1942)	13
Wilbur-Ellis Co. v. *Kuther*, 377 U.S. 422 (1964)	14

STATUTES

19 U.S.C. § 1337	3
28 U.S.C. § 1295(a)(1)	22
35 U.S.C. § 154(a)	3, 11
§ 271	3
§§ 283-285	3

TREATY

Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade In Counterfeit Goods, Dec. 15, 1993, 33 I.L.M. 81	22

OTHER AUTHORITIES

Customs Headquarters Ruling 56412 (Jan. 31, 2000)	24
National Recycling Coalition, Electronic Recycling Initiative, *at* http://www.nrc-recycle.org/Programs/electronics (updated Mar. 28, 2001)	24
U.C.C. § 2-312(3)	24

TABLE OF AUTHORITIES – continued

SCHOLARLY AUTHORITIES

Page

Margreth Barrett, *The United States' Doctrine of Exhaustion: Parallel Imports of Patented Goods*, 27 N. Ky. L. Rev. 911 (2000) 18, 22

5 Donald S. Chisum, *Chisum on Patents* (2001) 3, 10, 18, 20, 21

Patrick O'Reilley & Seiji Ohno, *International Patent Exhaustion Licensing May Be a Remedy*, SF24 A.L.I.-A.B.A. 395 (2000) 27

3 Peter D. Rosenberg, *Patent Law Fundamentals* (2d. ed. 2001) 3, 10, 21

David S. Safran, *Protection of Inventions In The Multinational Marketplace: Problems And Pitfalls In Obtaining And Using Patents*, 9 N.C. J. Int'l L. & Com. Reg. 117 (1983) 10

FOREIGN CASES

BBS Kraftfahrzeugtechnik A.G. v. *Rashimekkusu Japan Co.*, Case No. H6-(Ne)-(3272) (Japan 1997), *translated in* 29 Int'l Rev. Indus. Prop. & Copyright 331 (1998) 26, 27

Betts v. *Willmott*, 6 Law Reports 239 (Ch. App. 1871), *available at* 1871 WL 12598 15

National Phonograph Co. of Austl., Ltd. v. *Menck*, 1911 App. Cas. 336 (P.C. 1911), *available at* 1908 WL 15379 15

Societe Anonyme Des Manufactures De Glaces v. *Tilghman's Patent Sand Blast Co.*, 25 Law Reports 1 (Ch. D. 1883), *available at* 1883 WL 19035 15

IN THE

Supreme Court of the United States

No. 01-

JAZZ PHOTO CORPORATION
AND DYNATEC INTERNATIONAL, INC.,
Petitioners,

v.

INTERNATIONAL TRADE COMMISSION
AND FUJI PHOTO FILM CO., LTD.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

Jazz Photo Corporation and Dynatec International, Inc. hereby petition this Court to issue a writ of certiorari to the United States Court of Appeals for the Federal Circuit in this case.

JUDGMENT FOR WHICH REVIEW IS SOUGHT

The judgment for which review is sought is *Jazz Photo Corporation* v. *International Trade Commission,* 264 F.3d 1094 (Fed. Cir. 2001), which is reproduced in the Petition Appendix ("Pet. App.") at pages 1a-25a. The order of the court of appeals denying rehearing and rehearing en banc is unpublished and is reproduced at pages 178a-179a. The General Exclusion Order and the Cease-And-Desist Orders of the International Trade Commission ("ITC") against

Petitioners are unpublished and are reproduced at Pet. App. 160a-177a. The Opinion of the ITC (public version) is unpublished and is reproduced at Pet. App. 26a-52a. The Final Initial and Recommended Determinations (public version) of the ITC Administrative Law Judge ("ALJ"), which the ITC adopted in relevant part, is unpublished, and germane excerpts are reproduced at Pet. App. 53a-159a. Ten copies of the ALJ order in its entirety have been lodged with the Court.

JURISDICTION

The court of appeals entered judgment on August 21, 2001, and denied rehearing and rehearing en banc on November 9, 2001. This Court has jurisdiction under 28 U.S.C. § 1254.

CONSTITUTIONAL, STATUTORY, OR OTHER LEGAL PROVISIONS

The relevant statutory provisions are 35 U.S.C. §§ 154(a) and 271, and 19 U.S.C. § 1337, which are reproduced in the appendix at 180a-200a.

STATEMENT OF THE CASE

This case presents a question of fundamental importance to patent law and international trade. For more than 100 years, it has been the rule in federal patent law that an unrestricted first sale of a patented article by a United States patentee, whether it occurs in this country or abroad, "exhausts" the United States patent rights in the article:

> [i]f the vendor's patent consists of foreign and domestic patents, the sale frees the article from the monopolies of both the foreign and domestic patents, and where there is no restriction in the contract of sale the purchaser acquires the complete title and full right to use and sell the article in any and every country.

3 Peter D. Rosenberg, *Patent Law Fundamentals* § 18.05[1], at 18-56 to 18-57 (2d ed. 2001); 5 Donald S. Chisum, *Chisum on Patents* § 16.05[3][a][ii], at 16-241 to 242 (2001). In the decision below, the Federal Circuit, *sua sponte* and without briefing by the parties, abrogated the bedrock rule of international exhaustion and held that patent rights are exhausted only if the patented article "has been lawfully sold in the United States." Pet. App. 14a. That ruling is in conflict with longstanding authority from the Second Circuit and indeed all cases in point, and upsets settled expectations of property owners. Conduct that was formerly considered perfectly legal – the use, resale, or importation of patented goods first purchased abroad in an unrestricted sale – now is deemed to infringe patent rights.

A patent grants to the patentee (or his heirs or assigns) "the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States" for a statutorily defined term. 35 U.S.C. § 154(a)(1), (2). Federal law affords certain private judicial remedies to redress patent infringement, see, *e.g.*, *id.* §§ 271, 283-285, and also authorizes the ITC to issue orders excluding products that infringe United States patents from importation into the United States. 19 U.S.C. § 1337.

This case arises from a complaint filed in the ITC by respondent Fuji Photo Film Co., Ltd. ("Fuji") that 26 entities, including Petitioners, had infringed claims in 14 Fuji patents. Pet. App. 2a. Those patents concern devices called "lens-fitted film packages" ("LFFPs"), more commonly known as disposable cameras. The film in these cameras is originally loaded at the factory, and, after the film is exposed, the photoprocessor opens the plastic casing and removes the film for processing. { REDACTED

}

Petitioners import and resell within the United States "reloaded" LFFPs originally sold by Fuji and its licensees. At the time of the ITC proceedings, the reloading of Petitioners' cameras was performed entirely by third-party firms in China that had purchased used LFFP shells from photoprocessors and refurbished them for resale. Petitioners bought the reloaded cameras from the Chinese firms (or in some instances supplied the film or shells and contracted with the Chinese firms to perform the repair services), and imported them into the United States, often selling them in discount stores such as Walmart and Dollar General. The market for used LFFP shells has many beneficial effects; rather than discard such shells, photoprocessors utilize the profits from selling the shells to reduce photoprocessing costs to consumers, while at the same time eliminating a substantial source of environmental waste.

Fuji's position before the ITC was that the reloaders were not simply repairing the cameras, which is permitted under the patent law, but engaging in reconstruction of essentially new and different cameras, which is prohibited. In the alternative, Fuji argued that repair was a defense only to infringement of patents for the apparatus, but not to infringement of the design and process patents. Notably, Fuji never asserted, either before the ITC or before the Federal Circuit, that the repair doctrine was inapplicable to products sold abroad by the United States patent owner, despite knowing since the beginning of discovery in the litigation that many of the cameras at issue had first been sold abroad. In fact, neither Fuji nor any of the entities engaged in reloading LFFPs drew any distinction between foreign and domestic camera shells in litigating the claims of patent infringement, and the ITC itself never raised the issue in its decision.

Adjudication of the repair issues was complicated by the fact that the third-party Chinese suppliers "refused discovery entirely or in part," Pet. App. 7a, and they refused it to both Petitioners and Fuji because they did not want to become

embroiled in a patent dispute with Fuji. In fact, because many of the reloading procedures being used were clearly repair and not reconstruction, Petitioners tried as hard or harder than Fuji to gain access, resulting in some limited videotapes showing the repair process. However, discovery cannot be compelled in China, and Petitioners at the time had no contractual right to require the Chinese firms to provide access to their factories.

Despite the lack of full discovery of the repair procedures at the Chinese firms, and differences between particular products, the Administrative Law Judge nonetheless found that it was undisputed that there were at least eight steps common to the process used to refurbish all the LFFPs at issue:

> "These common steps (not necessarily in this order) are removing the cardboard cover, opening the LFFP body (usually by cutting at least one weld), replacing the winding wheel or modifying the film cartridge to be inserted, resetting the film counter, replacing the battery in flash LFFPs, winding new film out of a canister onto a spool or into a roll, resealing the LFFP body using tape and/or glue, and applying a new cardboard cover."

Pet. App. 74a. The ALJ held that those eight steps constituted recreation of an entirely new article in violation of the patent, and thus did not constitute permissible repair. *Id.* at 75a. Because Petitioners and the other entities admittedly engaged in those steps, the ALJ concluded that they were "recreating the patented single use camera of [Fuji] and its licensees and hence their actions are impermissible reconstruction." *Id.* at 157a.

The ITC adopted the findings and conclusions of the ALJ on repair and reconstruction outright, Pet. App. 30a-33a & n.5, and thus "ruled that the [reloaders] were not simply repairing the LFFP in order to achieve its intended life span, but created a new single use camera that would again be

discarded by its purchaser after use." *Id.* at 15a.[1] The ITC never suggested that patent infringement would turn on the situs of the sale (*i.e.*, whether the refurbished LFFP shell was originally sold in the United States or abroad), nor was that issue ever presented by Fuji. The ITC issued a General Exclusion Order – which is a form of in *rem order* excluding all products of this kind, not just those of the named parties – as well as cease-and-desist orders against the named parties. *Id.* at 2a; *id.* at 160a-177a.

Petitioners appealed the ITC orders to the Federal Circuit, which stayed those orders for the pendency of the appeal. Pet. App. 2a. Again, neither the ITC nor Fuji raised any argument that the situs of the original sale – domestic or foreign – determines whether a refurbished article infringes a United States patent. Fuji continued to assert that the repair doctrine was inapplicable to design patents and process patents, but never mentioned that it was inapplicable to products that the patent owner first sold abroad.

On the issues that had actually been litigated before and decided by the ITC, the Federal Circuit ruled generally in favor of Petitioners. The court of appeals noted that the repair/reconstruction dichotomy rested on the so-called doctrine of "first sale," which is a bedrock principle of patent law for determining exhaustion of the exclusive rights secured by the patent statute. Under this doctrine, "[t]he unrestricted

---

[1] Although the ITC adopted the ALJ's reconstruction/repair determinations, it ruled that the ALJ erred in holding that the reloaders had the burden of proving the repair defense by clear and convincing evidence. Pet. App. 30a-32a. The ITC held that the proper standard of proof was preponderance of the evidence. *Id.* at 31a. However, because the ALJ had held that certain processes were reconstruction as a matter of law, and because respondents "failed to carry their burden of proof, regardless of the standard of proof that was imposed" given the "insufficient information" about some supplier's procedures, the ITC held that the ALJ's error did not affect the findings and conclusion on repair/construction that the ITC had adopted. *Id.* at. 32a & n.4.

sale of a patented article, by or with the authority of the patentee, 'exhausts' the patentee's right to control further sale and use of that article by enforcing the patent under which it was first sold." Pet. App. 14a. "[P]atented articles when sold 'become the private individual property of the purchasers, and are no longer specifically protected by the patent laws.'" *Id.* at 9a-10a (quoting *Mitchell* v. *Hawley*, 83 U.S. (16 Wall.) 544, 548 (1872)). The purchaser has the same rights of use and disposition of the patented article as he has for other property, but "the rights of ownership do not include the right to construct an essentially new article on the template of the original, for the right to make the article remains with the patentee." *Id.* at 10a. Nonetheless, as an incident to the purchaser's right of use, the purchaser has a right to repair the article to extend its useful life. *Id.* This right of repair passes to successive owners of the article. *Id.* at 11a (citing *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422 (1964)).

Reviewing this Court's decisions on the repair defense to patent infringement, the Federal Circuit held that "precedent requires that these cameras be viewed as repaired, not reconstructed." Pet. App. 15a. The basic activities performed by reloaders – "the acts of inserting new film and film container, resetting the film counter, and resealing the broken case" – were more akin to activities deemed to be repair under the case law. *Id.* at 16a. The Federal Circuit rejected Fuji's alternative arguments that the circumstances of the original sale imposed license conditions that effectively limited the right to repair, *id.* at 18a-19a, and that the principle of exhaustion and the repair defense applied only to apparatus patents, but not to design and process patents. *Id.* at 19a-21a. The Federal Circuit held that the eight steps that the ITC had found to be common to all LFFPs constituted permissible repair, *id.* at 3a, but declined to overturn the exclusion orders as to "LFFPs remanufactured by procedures more extensive than those we hold to constitute repair, or

whose remanufacturing procedures were withheld or insufficiently disclosed to the Commission." *Id.* at 25a.

The Federal Circuit, however, permitted the exclusion of certain properly repaired cameras by declaring, *sua sponte* and without requesting briefing from the parties, a categorical exception from the first-sale doctrine of exhaustion. It held that exhaustion of a United States patent from an unrestricted sale only occurs if the patented device "has been lawfully sold in the United States," and that "United States patent rights are not exhausted by products of foreign provenance." Pet. App. 14a. In support of that proposition, the Federal Circuit cited a single case, *Boesch* v. *Gräff*, 133 U.S. 697 (1890), which it characterized as establishing a blanket rule that "a lawful foreign purchase does not obviate the need for [a] license from the United States patentee before importation into and sale in the United States." Pet. App. 14a-15a. The Federal Circuit did not even cite or acknowledge, much less distinguish or analyze, the uniform and longstanding case law holding that *Boesch* does not apply when (as here) it is the the United States patentee or its licensee that has made the first foreign sale. Although neither the ITC nor Fuji had argued or even addressed this proposition, the Federal Circuit located a few statements in a motion that Fuji filed two years after the appeal was filed, which happened to mention the source of Jazz Photo's camera shells. Even the motion, however, did not raise the issue of whether foreign sales by the patent owner itself were exempt from patent exhaustion. Based on its reading of *Boesch*, the Federal Circuit ruled that its decision on repair "applies only to LFFPs for which the United States patent right has been exhausted by first sale in the United States." *Id.* at 15a, 25a.

Petitioners requested rehearing and rehearing en banc and requested a stay of the mandate, briefing extensively and for the first time the case law demonstrating that the first-sale exhaustion doctrine applies equally to foreign sales as well as domestic sales, so long as the sale is by the United States

patentee or its licensee. In their briefs on rehearing, neither Fuji nor the ITC cited a single case in which the United States patent owner itself had sold the product abroad, entirely free and clear, and was later allowed to restrict use or resale of that product in the United States. On November 9, 2001, the Federal Circuit denied rehearing and rehearing en banc (over the dissent of Judge Rader), Pet. App. 178a-179a, and on November 21, 2001, it denied the stay application and issued the mandate.

The Federal Circuit's ruling on foreign-sale exhaustion prevents Petitioners from importing products into the United States that would otherwise be noninfringing. Jazz Photo now has new suppliers whose procedures were not at issue in the ITC proceeding but which comply with the eight-step process that the Federal Circuit ruled was permissible repair. Jazz Photo also now owns and operates its own factories abroad in order to ensure that its products do not infringe Fuji's patents. Finally, in the wake of the Federal Circuit's ruling, Jazz Photo has required all preexisting third-party suppliers by contract to comply with the Federal Circuit's ruling and provide access to its factories for both itself and Fuji. Dynatec's successor in interest in its camera business (Grandway) also has new suppliers whose procedures were not at issue in the ITC proceeding. Nonetheless, because of the Federal Circuit's erroneous ruling that foreign first sales do not exhaust the United States patentee's rights in the article sold, the Petitioners are forbidden to import any foreign-shell cameras even though they were originally sold free and clear by Fuji and its licensees, and even though they are refurbished by the eight-step process that the Federal Circuit ruled was noninfringing repair.

REASONS FOR GRANTING THE PETITION

In the decision below, the Federal Circuit held that the unrestricted first sale of a patented article by a United States patent holder does not "exhaust" the patentee's United States

patent rights in the article if the sale occurred abroad. Pet. App. 15a. This ruling means that owners of goods purchased abroad do not own their property free and clear: a United States patent holder can assert his patent rights to enjoin the property owner from using, repairing, importing, or reselling those goods in the United States, or demand to be paid royalties for such conduct.

The Federal Circuit's ruling (which was delivered without any briefing from the parties on an issue that had not been raised previously in the litigation before the ITC, much less decided by the agency) jettisoned established law of more than 100 years that:

> [i]f the vendor's patent consists of foreign and domestic patents, the sale frees the article from the monopolies of both the foreign and domestic patents, and where there is no restriction in the contract of sale the purchaser acquires the complete title and full right to use and sell the article in any and every country.

3 Rosenberg, *supra* § 18.05[1], at 18-56 to 18-57; 5 Chisum, *supra* § 16.05[3][a][ii], at 16-241; David S. Safran, *Protection of Inventions In The Multinational Marketplace: Problems And Pitfalls In Obtaining And Using Patents*, 9 N.C. J. Int'l L. & Com. Reg. 117 (1983) ("It has long been recognized that [exhaustion] doctrine is not restricted to situations when a U.S. patentee has sold his goods within the United States, but also applies to the unrestricted sale of goods outside of the United States.").

The Federal Circuit's *sua sponte* legal ruling not only represents a dramatic break from a century of settled patent law, but also conflicts with a precedent of the Second Circuit established before the Federal Circuit was granted exclusive jurisdiction over cases arising under the patent laws, and indeed with every reported case on point. The Federal Circuit thus undid with a stroke of the pen, and without discussion or analysis of the extensive authority on point, a critical and

established doctrine that Congress has not seen fit to change in its many amendments of the patent laws in this century.

The importance of the decision below cannot be overstated. Patent exhaustion doctrine establishes the default rules for determining what property rights are conveyed in a transaction. By revising the default rules of international exhaustion, the Federal Circuit has reallocated rights from property owners to patent holders for all patented goods purchased abroad that are brought into this country. Federal law grants the patentee the right to exclude others from making, using, offering for sale, selling, or importing its invention in the United States. 35 U.S.C. § 154(a)(1), (2). Under the new rule set by the Federal Circuit, the patentee maintains those exclusive rights even in articles that it sold abroad without restriction, and the patentee now has the legal right to prevent an owner from using or reselling the property in the United States (or importing it into this country). This is so, even though this Court has held, and the Federal Circuit has acknowledged that if the article were sold within the United States, the patentee's rights would be exhausted. Consequently, the owner of a patented property item purchased abroad (such as a camera, watch, or car) can no longer use it in the United States without infringing the patent. No firm may repair that item to prolong the owner's use without risk of liability for contributory infringement. The burgeoning international trade in remanufactured or recycled goods is in jeopardy because (as in this case) importation of goods initially bought abroad would be deemed to infringe any applicable United States patent. Indeed, no good produced or assembled abroad with foreign-bought parts that are subject to American patent rights can now be imported into the United States without infringement, unless an additional license is secured from the American patent owner who sold the parts in the first place. Furthermore, no retailer or distributor can resell those goods because under the Federal Circuit's newly minted rule the

patentee retains the right to exclude others from selling those patented goods in the United States.

Worse yet, subsequent owners and purchasers of patented items that originated with and were freely sold for full compensation by the patent owner may no longer transact any business with respect to these goods without risk of liability for patent infringement. Thus, for example, when an owner of worldwide patents, including United States patents, sells goods to a distributor in England, and the distributor sells to its retail customers in several countries, retailers in the United States may be sued for patent infringement if they purchase and resell such goods from the distributor in England. This is true under the Federal Circuit's holding even though the United States retailer has no notice of any restriction on sale of such goods, and even though the patent owner sold the goods free and clear. In short, the Federal Circuit's decision places a restriction on subsequent alienation of property without any notice of such restriction at the time of sale, and extends such restriction to subsequent parties that are not even in privity with the patent owner. In effect, the decision below automatically encumbers all property sold abroad by implying a reservation of the seller's rights in the United States patent, contrary to the presumption that a purchaser has the unrestricted right to use and resell personal property that has been purchased outright.

The decision below is wrong in every respect; it is contrary to unbroken American law, offensive to fundamental legal policies against restraints on an owner's alienation and control of property, detrimental to free trade and competition, formalistic, and unnecessary to ensure adequate reward to inventors (who in any event could bargain around the former default rules by restrictions in the contract of sale). But this Court's review is imperative regardless of whether the Federal Circuit erred. The Federal Circuit's decision has upset settled expectations of property owners, and international trade cannot flourish where property rights are

uncertain. Moreover, it has done so on the basis of misinterpretation of this Court's precedent, an error which only this Court can correct. This Court must act now to restore order and certainty to the law of patent exhaustion.

I. THE FEDERAL CIRCUIT'S RULING, WHICH IS BASED ON A MISREADING OF THIS COURT'S PRECEDENT, IS A DRAMATIC BREAK FROM A CENTURY OF PATENT LAW.

The Federal Circuit held that patent rights are exhausted only by the first sale in the United States based solely on its interpretation of this Court's decision in *Boesch* v. *Gräff*, 133 U.S. 697 (1890). The court of appeals interpreted *Boesch* to hold broadly that "a lawful foreign purchase does not obviate the need for [a] license from the United States patentee before importation into and sale in the United States," even when the first foreign sale was by the United States patentee or its licensee. Pet. App. 15a. The Federal Circuit flatly misunderstood *Boesch* and its place in patent exhaustion doctrine, and its ruling has created a conflict with Second Circuit authority and indeed a century of prior federal law on the subject.

A. It Was Established Law Prior To *Boesch* That An Unrestricted Sale By The Patentee Or Its Licensees Exhausts The Patent Regardless Of The Situs Of The Sale.

It is a longstanding principle of federal patent law that an unrestricted first sale of a patented article by the patentee (or its licensee) "exhausts the monopoly in that article and the patentee may not thereafter, by virtue of his patent, control the use or disposition of the article." *United States* v. *Univis Lens Co.*, 316 U.S. 241, 250 (1942). "[W]hen the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use." *Adams* v. *Burke*, 84 U.S. (17 Wall.) 453, 456 (1873). An

unrestricted first sale is thus considered to grant "an implied license" to use and resell the invention embodied in the article (and thus also to repair the article and maintain its usefulness). *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 484 (1964); *Henry* v. *A.B. Dick Co.*, 224 U.S. 1, 23-24 (1912), *overruled on other grounds*, *Motion Pictures Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502 (1917). The rights of use and resale pass to all subsequent purchasers of the article. *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422 (1964).

The implied license of use and resale arises "as a matter of law." *Kendall Co.* v. *Progressive Med. Tech., Inc.*, 85 F.3d 1570, 1573 (Fed. Cir. 1996); *accord Univis Lens*, 316 U.S. at 249-50. The law implies such a license because "[b]y a valid sale and purchase the patented machine becomes the private individual property of the purchaser, and is no longer specially protected by the laws of the United States." *Bloomer* v. *Millinger*, 68 U.S. (1 Wall.) 340, 351 (1863); *Keeler* v. *Standard Folding Bed Co.*, 157 U.S. 659, 666 (1895) ("one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, *unrestricted in time and place*") (emphasis added). A purchaser who acquires "full dominion over the property of the machines" by an unrestricted sale necessarily maintains "an absolute and unrestricted right to use and operate them until they [a]re worn out." *Bloomer*, 68 U.S. at 350. The doctrine of first-sale exhaustion thus reflects the law's antipathy towards restraints on an owner's alienation and use of property, and reflects the general principle that rights in property sold are conveyed unless clearly reserved. See *Henry*, 224 U.S. at 23-24; *Curtiss Aeroplane & Motor Corp.* v. *United Aircraft Eng'g Corp.*, 266 F. 71, 79-80 (2d Cir. 1920).

The presumptive rule of exhaustion is, however, only a default rule that applies to sales of patented articles "without any conditions." *Mitchell* v. *Hawley*, 83 U.S. (16 Wall.) 544,

547 (1872). Patentees may restrict the transfer of divisible patent rights by imposing otherwise lawful conditions on sale, *Brulotte* v. *Thys Co.*, 379 U.S. 29, 31 (1964), and thus may impose contractual conditions to avoid exhaustion. *General Talking Pictures Corp.* v. *Western Elec. Co.*, 305 U.S. 124, 127 (1938); *Mallinckrodt, Inc.* v. *Medipart, Inc.*, 976 F.2d 700, 703 (Fed. Cir. 1992).

The doctrine of first-sale exhaustion developed in parallel in England as this issue came to the forefront after the Industrial Revolution. Cf. *Sears Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 229-30 & n.6 (1964) (American patent law has its origins in English law). English courts, like their counterparts in this country, have long recognized that an unrestricted first sale of a patented article exhausts the patentee's right to control the subsequent sale of that article. See, *e.g.*, *National Phonograph Co. of Austrl., Ltd.* v. *Menck*, 1911 App. Cas. 336, 348-50 (P.C. 1911), *available at* 1908 WL 15379. Significantly, well prior to *Boesch*, it was held in 1871 that this doctrine applies with equal force when the article was sold in a foreign country by a vendor authorized by the English patentee.

> [I]nasmuch as [the patentee] has the right of vending the goods in France or Belgium or England, or in any other quarter of the globe, he transfers with the goods necessarily the license to use them wherever the purchaser pleases. When a man has purchased an article he expects to have the control of it, and there must be some clear and explicit agreement to the contrary to justify the vendor in saying that he has not given the purchaser his license to sell the article, or to use it wherever he pleases as against himself.

Betts v. *Willmott*, 6 Law Reports 239, 245 (Ch. App. 1871), *available at* 1871 WL 12598 (emphasis omitted); see also *Societe Anonyme Des Manufactures De Glaces* v. *Tilghman's Patent Sand Blast Co.*, 25 Law Reports 1, 9 (Ch. D. 1883), *available at* 1883 WL 19035 (Cotton, L.J.) (unrestricted sale

abroad creates in the purchaser "an absolute right to deal with that which he buys in any way he thinks fit, and of course that includes selling [it] in any country where there is a patent in the possession of and owned by the vendor").

Prior to *Boesch*, American law likewise recognized that United States patent rights in an article are exhausted by an unrestricted sale abroad. In *Holiday* v. *Mattheson*, 24 F. 185 (C.C.S.D.N.Y. 1885), the United States patentee sold a patented article in England "without restriction or conditions." *Id.* at 185. Relying on this Court's patent exhaustion cases, the *Holiday* court rejected a claim that a subsequent owner of the article infringed the patent by using or selling it in the United States, reasoning that the original purchaser "acquire[d] the right of unrestricted ownership in the article he buys against the vendor, including, as an inseparable incident, the right to use and enjoy it, and to transfer his title to others." *Id.* at 186.

B. *Boesch* Did Not Modify The Rule That An Unrestricted Sale Abroad By The United States Patentee Exhausts Its Rights In The Article.

Paying no heed to the case law before or since *Boesch*, the Federal Circuit ruled below on the claimed authority of *Boesch* that a first sale exhausts the United States patent only if that sale occurred in the United States. Pet. App. 14a-15a. But *Boesch* has no application to a case like this one involving foreign sales by a United States patentee or its licensees; it holds only that the sale of an article by a foreign vendor with no rights derived from the United States patent holder cannot exhaust United States patent rights, and thus prevent the United States patentee from asserting infringement when the foreign goods are brought into this country.

In *Boesch*, the defendant had purchased goods in Germany that were covered by both a German patent and a United States patent, and later imported them into the United States

for resale. 133 U.S. at 698-99. The seller from whom the defendant had purchased those goods in Germany had no right under either patent. Instead, German law contained a "grandfather" clause immunizing all persons who had previously made preparations to use the invention in Germany from patent infringement charges under the German patent only. The seller had such immunity and was thus authorized to sell the goods without violating the German patent. *Id.* at 701-02. The defendant claimed that because the seller was authorized by German law to sell the goods, the defendant was immunized by the first-sale doctrine from any claims that his importation of the goods into the United States infringed the separate United States patent.

This Court posed the "exact question presented" as "whether a dealer residing in the United States can purchase in another country articles patented there, from a person authorized to sell them, and import them to and sell them in the United States, without the license or consent of the owners of the United States patent." *Id.* at 702. It reviewed the cases that held that a first sale by the United States patentee or his assigns, unlike a license to manufacture or sell, exhausts the United States patent, for "'when the machine passes to the hands of the purchaser it is no longer within the limits of the monopoly'" and "'no longer under the protection of the act of Congress.'" *Id.* at 702-03 (quoting *Bloomer* v. *McQuewan*, 55 U.S. (14 How.) 539, 549 (1852)). The doctrine, however, did not apply when no rights were conveyed under the United States patent, but the property rights of the seller arose only under foreign law:

> The right which Hecht [the German seller] had to make and sell the burners in Germany was allowed him under the laws of that country, and purchasers from him could not be thereby authorized to sell the articles in the United States in defiance of the rights of patentees under a United States patent.... The sale of articles in the

> United States under a United States patent cannot be controlled by foreign laws.

Id. at 703. Thus, *Boesch* holds only that "sales by parties who are unrelated to the United States patentee and derive no rights from the United States patentee do not exhaust the United States patentee's rights, even if the sales were authorized under foreign law." Margreth Barrett, *The United States' Doctrine of Exhaustion: Parallel Imports of Patented Goods*, 27 N. Ky. L. Rev. 911, 945 (2000).

As commentators long have recognized, but the Federal Circuit below did not, *Boesch* did not address the question of whether "an importer [would] infringe by domestic sale when he bought the product in a foreign country from the person who owns the United States patent." 5 Chisum, *supra* § 16.05[3][a][ii], at 16-241; Barrett, *supra* at 945. Indeed, it would be bizarre to read *Boesch* to overrule *Holiday* when it was common ground between the parties in *Boesch* that *Holiday* properly stated the law. Brief for Appellants at 7, *Boesch* v. *Gräff*, 133 U.S. 697 (1890); Brief for Appellees at 18, *Boesch* v. *Gräff*, 133 U.S. 697 (1890). The prevailing party simply pointed out that *Boesch* did not involve "the same question" because in *Holiday* (as here) the foreign purchasers had acquired the article from the United States patentee. *Id.*

C. The Ruling Below Conflicts With Second Circuit Authority And Overturns Law That Had Been Settled For A Century.

The Federal Circuit's holding that exhaustion doctrine only applies to first sales in the United States rejects more than 100 years of patent law to the contrary and directly conflicts with precedent of the Second Circuit. Soon after Boesch was decided, the Second Circuit held that Boesch did not alter the rule of Holiday, ruling that:

> [a] purchaser in a foreign country of an article patented in that country and also in the United States, from the

> owner of each patent, or from a licensee under each patent, who purchases without any restrictions upon the extent of his use or power of sale, acquires an unrestricted ownership in the article, and can use it or sell it in this country.

Dickerson v. *Matheson*, 57 F. 524, 527 (2d Cir. 1893). The Second Circuit properly distinguished *Boesch* as involving sale from a vendor "authorized only under the German patent or under the imperial patent laws of Germany," and that rights derived strictly from German law "did not authorize purchasers from him to sell the article in this country without the consent of the owner of the United States patent." *Id.* at 527-28. Infringement in *Boesch* turned on the rights of the seller, and had nothing to do (as the Federal Circuit wrongly supposed) with the situs of the sale.

The Second Circuit confirmed this rule in *Curtiss Aeroplane & Motor Corp.* v. *United Aircraft Engineering Corp.*, 266 F. 71 (2d Cir. 1920), in rejecting the patent owner's attempt to preclude use in the United States of an article purchased without restriction in Canada. Relying on *Holiday*, the Second Circuit once again looked to the rights of the overseas vendor, not the situs of the sale, to determine the rights exhausted during the first sale:

> If the vendor's patent monopoly consists of foreign and domestic patents, the sale frees the article from the monopoly of both his foreign and domestic patents, and where there is no restriction in the contract of sale the purchaser acquired the complete title and full right to use and sell the article in any and every country....
>
> ....
>
> ... As the Plaintiff has already been paid for these aeroplanes the full price it asked, it is no longer concerned about the price at which the article is sold, or whether the article is kept in Canada, or in Great Britain, or in the United States.

Id. at 78-79. Notably, the Second Circuit again specifically cited and distinguished *Boesch* as a case where the foreign sale involved "no participation whatever by the owner of the patent, either as a party or as a privy." *Id.* at 77. The Second Circuit indicated that a foreign sale by the owner of the United States patent rights did in fact exhaust those United States rights. Otherwise, a purchaser would be restricted from moving his own property across borders.

District courts in recent years have uniformly continued to draw these same distinctions, contrary to the Federal Circuit's rule. For example, the Southern District of New York has held that exhaustion doctrine:

> applies to an authorized first sale abroad by a patentee or licensee who also has the right to sell in the United States. Following such a sale, the holder of United States patent rights is barred from preventing resale in the United States or from collecting a royalty when the foreign customer resells the article here.

Kabushiki Kaisha Hattori Seiko v. *Refac Tech. Dev. Corp.*, 690 F. Supp. 1339, 1342 (S.D.N.Y. 1988). Another district court adopting the same rule properly distinguished *Boesch* as a case in which:

> it was not the patentee who made the sale abroad. In fact, it was not even a licensee of the patentee who made the sale.... Under the circumstances of *Boesch*, the patentee neither received compensation for the use of his invention, nor consented to its importation into this country. Here, however it was the [United States] patentee that made and profited from the initial sale abroad, and, despite having had the opportunity to do so, it placed no restrictions in the sales contract upon further disposition of the product by the purchaser.

Sanofi, S.A. v. *Med-Tech Veterinarian Prods., Inc.*, 565 F. Supp. 931, 937-38 (D.N.J. 1983); 5 Chisum, *supra* § 16.05[3][a][ii] n.12, at 16-242 (citing additional cases).

Thus, prior to the Federal Circuit's decision, it was long settled patent law that a sale abroad by the United States patentee exhausted patent rights in the article sold. As one leading commentator has summarized the law:

> exhaustion of United States patent rights may occur if a sale in a foreign country is unrestricted and the seller holds the patent rights to sell in the United States as well as in the foreign country, but exhaustion will not occur if the person owning or possessing license rights under the United States patent is not the same person who has made or authorized the sale abroad.

5 Chisum, *supra* § 16.05[3][a][ii], at 16-242. A second commentator has likewise stated the law unequivocally as follows:

> United States product claims are not infringed where goods, though they read on those claims and were imported and sold within the United States, were purchased abroad from the holder of the United States patent, who did not as a condition of that sale expressly forbid their importation. The principle that the first sale of a product by a patent owner or his licensee exhausts the patent monopoly, and deprives the holder of patent rights of any further control over resale of the product, applies to an authorized first sale abroad by a patent owner or licensee that also has the right to sell in the United States.

3 Rosenberg, *supra* § 18.05[1], at 18-56 (footnotes omitted).

The Federal Circuit simply swept away without briefing, analysis, citation to any of the numerous cases on point, or discussion, a century's worth of settled law when it held that the first-sale doctrine does not apply to sales by the patentee or its licensees abroad, and that United States patent rights in an article are only exhausted by a "sale in the United States." Pet. App. 15a. Engaging in judicial freelancing without so much as a nod to case law in this area after *Boesch*, the

Federal Circuit adopted a rule that is plainly unsustainable and illogical, and elevates form over substance. The rights of the owner versus the patentee should turn not on the situs of the sale, but on the rights transferred in that sale.

II. THE FEDERAL CIRCUIT'S DRAMATIC BREAK FROM SETTLED LAW ON AN ISSUE CRITICAL TO INTERNATIONAL TRADE AND THE ALLOCATION OF PROPERTY RIGHTS WARRANTS THIS COURT'S REVIEW.

Patent exhaustion is one of the most important issues of intellectual property law affecting international trade. It is the subject of an extensive literature, and has been a source of friction in international trade negotiations, with the nations of the world recently declining in the latest multilateral treaty to "address the issue of the exhaustion of intellectual property rights," leaving the issue to domestic law. See *Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade In Counterfeit Goods*, Dec. 15, 1933, art 6, 33 I.L.M. 81, 86; see generally Barrett, *supra* at 918 & n.22.

This Court is especially vigilant to review the important patent rulings of the Federal Circuit because that court has since 1982 exercised exclusive jurisdiction in patent cases, 28 U.S.C. § 1295(a)(1), and patent law is not subject to further development in other circuits. This Court's review is all the more imperative when the rule adopted by the Federal Circuit breaks from established law that Congress has never altered in its numerous amendments of the patent laws, conflicts with longstanding precedents from other circuits, and creates unnecessary and disturbing turmoil in the reasonable expectations of property owners and traders. Furthermore, the Federal Circuit followed what it considered (erroneously) the binding rule of *Boesch* v. *Gräff*; it is this Court's exclusive prerogative and responsibility to determine the meaning of its precedents and to ensure that their misinterpretation does not affect legal rights in patented goods.

The implications of the ruling below, which alters the default rules of patent law and broadly reallocates property rights from one group (owners) to another (patentees), are immense. If a foreign sale does not exhaust United States patent rights in the article sold, the patentee retains the exclusive right to use and sell that article in this country, and the owner cannot use or sell personal property that she had purchased abroad in the United States without infringing the patent even though she purchased it from the patentee. Thus, a person who buys a patented Toyota car in Canada cannot lawfully drive it in the United States (or resell it); a tourist cannot use a patented Fuji camera she purchased overseas to take pictures in the United States; an airline cannot land a patented Airbus purchased abroad in the United States. No retailer can sell a patented good imported from abroad. Furthermore, the use or sale of even some goods sold in the United States would constitute infringement. Many goods sold in the United States are assembled abroad using patented parts purchased abroad. Because the U.S. patent rights in those parts are not exhausted by their foreign sale, no one can use or sell the article containing those parts in this country without the patentee's license.

Moreover, the ruling below has the untoward effect of giving the patentee the right under the patent laws to dominate the repair market for its goods. The right of repair is an incident of the right of use that is transferred by an unrestricted first sale. *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 484 (1964). Thus, for example, Toyota Motor Company could sell its foreign-made cars to American distributors FOB Japan. Because it would retain the right to exclude use (and thus the right to exclude repair) under the Federal Circuit's decision, Toyota could demand royalties of American repair shops and auto parts suppliers that supply unpatented and unpatentable repair parts, who would not otherwise be subject to contributory infringement suits for providing service or parts for the repair

of those vehicles. This outcome is not only untenable, but also would be directly contrary to the driving principle of this Court's repair jurisprudence: namely, that the patent monopoly should not be extended into market dominance of repair services or parts, since that would overextend the patent monopoly to preclude sale of unpatented items. See *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 345 (1961).

The ruling below also unnecessarily disrupts international trade. It effectively abolishes the significant, environmentally beneficial trade in imported recycled electronic products, which include not just cameras, but also refurbished auto parts, inkjet and toner cartridges for computer printers, and durable goods like photocopiers. Cf. National Recycling Coalition, Electronic Recycling Initiative, *at* http://www.nrc-recycle.org/Programs/electronics (updated Mar. 28, 2001); Customs Headquarters Ruling 56412 (Jan. 31, 2000) (imported toner cartridges). Prior to the Federal Circuit's decisions, under established law, such importation was not infringement, regardless of where the first sale took place. Now by the stroke of the Federal Circuit's pen, those goods infringe the applicable United States patent if the first sale was abroad. Furthermore, no international distributor or trader can safely import any foreign goods sold by the United States patent owner into the United States; in order to trade legally, the distributor, or subsequent purchasers from such distributor who are not privity with the U.S. patent owner, will have to secure licenses and pay an additional royalty to the same U.S. patentee from whom the goods were procured and who already received payment for the goods. See U.C.C. § 2-312(3) (in a contract of sale "a merchant regularly dealing in goods of the kind warrants that the goods shall be delivered free of the rightful claim of any third person by way of infringement").

There is no justification for a default rule of patent law that is so detrimental to the public and to free trade and contrary to

reasonable expectations of rights in personal property. "[P]atent [] ... privileges [are] restrictive of a free economy" and thus are "strictly construed." *United States* v. *Masonite Corp.*, 316 U.S. 265, 280 (1942). The primary purpose of the patent laws is to advance the common welfare, and rewards to inventors are secondary and but a means to that end. *Id.*; *Kendal* v. *Winsor*, 62 U.S. (21 How.) 322, 328 (1858). Moreover, the prior rule of international exhaustion does not deny a just reward to inventors; they have received consideration for the use of the invention in the purchase price of the article or (when the first sale is by its licensee) a royalty paid them from that price. *Adams* v. *Burke*, 84 U.S. (17 Wall.) 453, 456-57 (1873). { REDACTED

2

}

Bloomer v. *Millinger*, 68 U.S. (1 Wall.) 340, 350 (1863) (inventors "are entitled to but one royalty for a patented machine").

The rule of international patent exhaustion that prevailed prior to the decision below is only a default rule; if that rule is uneconomic in certain instances, the patentee may always impose restrictions in the sale of its goods abroad to avoid exhaustion, so long as those conditions do not violate other law (such as the antitrust statutes). See *Dickerson* v. *Tinling*, 84 F. 192, 195 (8th Cir. 1897). Requiring the patent owner to impose such restrictions if it wishes to reserve his United States patent rights is in accordance with the presumption throughout property law – an unrestricted sale should be assumed to convey the full right to use and resell the property

---

[2] { REDACTED

}

anywhere the purchaser wishes. Furthermore, by requiring any such restriction to be in writing, a court can then determine exactly the scope of such restriction, and whether such restriction on subsequent use or sale of the product runs afoul of antitrust or other laws. Purchasers, and subsequent owners, will be on notice and can negotiate the price accordingly. Finally, the patent owner is not deprived in any way, since he can negotiate an acceptable restriction at the time of sale.

Such restrictions are often not economically feasible, however, and thus are not universal; for example, a foreign manufacturer with an international market is not going to buy component parts from a patentee that insists on reserving its U.S. patent rights, because there will be no market among American retailers and consumers for goods that cannot be lawfully sold or used in the United States. There is no warrant for making the Federal Circuit's rule, which is inconvenient and uneconomic in broad application, the default rule for determining United States patent rights in goods in international trade.

Significantly, in abrogating a rule in force for over a century, the Federal Circuit placed United States law directly at odds with that of Japan, Fuji's home country. In the case of *BBS Kraftfahrzeugtechnik A.G.* v. *Rashimekkusu Japan Co.*, Case No. H6-(Ne)-3272 (Japan 1997), *translated in* 29 *Int'l Rev. Indus. Prop. & Copyright* 331 (1998), the Japanese Supreme Court strongly endorsed the rule of international exhaustion, ruling that hubcaps sold in Germany with the authority of the Japanese patent holder could be imported into Japan without infringing the Japanese patent. *Id.* at 335. The court concluded that, as a matter of Japanese patent law, a Japanese patentee who sells a patented article abroad without restriction has "endowed the transferee or any subsequent purchaser with the right to undertake further transactions with third parties, including the importation to Japan, use in Japan, and transfer of ownership on our domestic market." *Id.* at

334. The court noted that international exhaustion furthers the free circulation of goods; in an increasingly global economy, "it can be naturally expected that such goods may be imported into Japan if the patentee puts such goods into circulation abroad without any reservations at the time of transfer." *Id.* Given the strong policy interests favoring international exhaustion and the self-protective measures afforded to patentees, it is difficult to justify the Federal Circuit's abandonment (without congressional directive) of a rule that has so long endured in the United States and that has taken hold in other industrialized nations. Cf. D. Patrick O'Reilley & Seiji Ohno, *International Patent Exhaustion Licensing May Be a Remedy*, SF24 A.L.I.-A.B.A. 395, 397 (2000) (course of study) (documenting the trend toward international exhaustion in other nations).

In summary, the Federal Circuit, misinterpreting this Court's precedent and breaking with longstanding authority of other circuits, has effected a radical and detrimental change in federal patent law that broadly affects the allocation of property rights in goods in international circulation. Its decision is wrong, but this Court should review the decision below regardless of whether the Federal Circuit erred. Settled, investment-backed expectations of property rights have been dashed; prices of goods cannot be reasonably negotiated absent certainty about the rights conveyed; the lawfulness of future transactions in an important area of commerce is in doubt. International trade cannot flourish while property rights are uncertain, as they will be until this Court decides whether or not it will embrace the Federal Circuit's novel rule.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

JEFFREY I. KAPLAN
KAPLAN & GILMAN, LLP
900 Route 9 North
Woodbridge, New Jersey 07095
(732) 634-7634

Counsel for Jazz Photo Corp.

LARRY R. LAYCOCK
DAVID R. WRIGHT
L. DAVID GRIFFIN
WORKMAN, NYDEGGER & SEELEY
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111
(801) 533-9800

Counsel for Dynatec International, Inc.

CARTER G. PHILLIPS*
STEPHEN B. KINNAIRD
MICHAEL S. LEE
JULIE N. ZAMPA
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

Counsel for Petitioners

February 6, 2002

* Counsel of Record

No. 01- (2)

Supreme Court, U.S.
FILED
011158 FEB - 6 2002
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

JAZZ PHOTO CORPORATION
AND DYNATEC INTERNATIONAL, INC.,
Petitioners,

v.

INTERNATIONAL TRADE COMMISSION
AND FUJI PHOTO FILM CO., LTD.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI

JEFFREY I. KAPLAN
KAPLAN & GILMAN, LLP
900 Route 9 North
Woodbridge, New Jersey 07095
(732) 634-7634

Counsel for Jazz Photo Corp.

LARRY R. LAYCOCK
DAVID R. WRIGHT
L. DAVID GRIFFIN
WORKMAN, NYDEGGER & SEELEY
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111
(801) 533-9800

Counsel for Dynatec International, Inc.

CARTER G. PHILLIPS*
STEPHEN B. KINNAIRD
MICHAEL S. LEE
JULIE N. ZAMPA
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

Counsel for Petitioners

February 6, 2002

* Counsel of Record

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

20388

TABLE OF CONTENTS

Page

APPENDIX A:

Opinion, *Jazz Photo Corp.* v. *ITC*, 264 F.3d 1094 (Fed. Cir. 2001) 1a-25a

APPENDIX B:

Commission Opinion (Public Version), *Certain Lens-Fitted Film Packages*, Inv. 337-TA-406 (I.T.C. June 28, 1999) 26a-52a

APPENDIX C:

Excerpts from Final Initial and Recommended Determinations (Public Version), *Certain Lens-Fitted Film Packages*, Inv. 337-TA-406 (I.T.C. Mar. 23, 1999) (Administrative Law Judge)

Cover Page 53a
Abbrevations 54a-56a
Sections I-IV 56a-61a
SectionVII 61a-128a
Sections XII-XIII 128a-140a
Additional Findings
¶¶1-5 ..... 140a-141a
¶¶20-21 ..... 141a-142a
¶¶29-31 ..... 142a-143a
¶¶36-37 ..... 143a-144a
¶¶54-78 ..... 144a-147a
Conclusions of Law 148a-159a

APPENDIX D:

General Exclusion Order, *Certain Lens-Fitted Film Packages*, Inv. 337-TA-406 (I.T.C. June 2, 1999) 160a-163a

TABLE OF CONTENTS—continued

Page

APPENDIX E:

Order To Cease And Desist, *Certain Lens-Fitted Film Packages*, Inv. 337-TA-406 (I.T.C. June 2, 1999) (Jazz Photo Corp.)..... 164a-170a

APPENDIX F:

Order To Cease And Desist, *Certain Lens-Fitted Film Packages*, Inv. 337-TA-406 (I.T.C. June 2, 1999) (Dynatec International, Inc.)..... 171a-177a

APPENDIX G:

Order On Combined Petitions For Panel Rehearing And Rehearing En Banc, *Jazz Photo Corp. v. ITC*, Nos. 99-1431, 99-1504, 99-1595, 99-1596, 99-1601 (Fed. Cir. Nov. 9, 2001)..... 178a-179a

APPENDIX H:

Statutes

19 U.S.C. § 1337..... 180a-194a
35 U.S.C. § 154(a)..... 195a-196a
35 U.S.C. § 271..... 196a-200a

APPENDIX A

UNITED STATES COURT OF APPEALS,
FEDERAL CIRCUIT

Nos. 99-1431, 99-1504, 99-1595, 99-1596, 99-1601

JAZZ PHOTO CORPORATION,
Appellant,

and

DYNATEC INTERNATIONAL, INC.,
Appellant,

and

OPTICOLOR, INC.,
Appellant,

v.

INTERNATIONAL TRADE COMMISSION,
Appellee,

and

FUJI PHOTO FILM CO., LTD.,
Intervenor.

Aug. 21, 2001

Before NEWMAN, MICHEL, and GAJARSA, Circuit Judges.

PAULINE NEWMAN, Circuit Judge.

In an action brought under section 337 of the Tariff Act of 1930 as amended, 19 U.S.C. § 1337, Fuji Photo Film Co. charged twenty-seven respondents, including the appellants Jazz Photo Corporation, Dynatec International, Inc., and Opticolor, Inc., with infringement of fifteen patents owned by Fuji. The charge was based on the respondents' importation of

used "single-use" cameras called "lens-fitted film packages" (LFFP's), which had been refurbished [1] for reuse in various overseas facilities. Section 337 makes unlawful "[t]he importation into the United States . . . of articles that . . . infringe a valid and enforceable United States patent . . . [or that] are made, produced, processed, . . . under, or by means of, a process covered by the claims of a valid and enforceable United States patent." 19 U.S.C. § 1337(a)(1)(B). Eight respondents did not respond to the Commission's complaint, ten more failed to appear before the Commission, and one was dismissed. Eight respondents participated in the hearing, and three have taken this appeal.

The Commission determined that twenty-six respondents, including the appellants, had infringed all or most of the claims in suit of fourteen Fuji United States patents,[2] and issued a General Exclusion Order and Order to Cease and Desist. *In the Matter of Certain Lens-Fitted Film Packages,* Inv. No. 337-TA-406 (Int'l Trade Comm'n June 28, 1999). This court stayed the Commission's orders during this appeal. *Dynatec Int'l, Inc. v. Int'l Trade Comm'n,* No. 99-1504 (Fed.Cir. Sept. 24, 1999) (unpublished).

---

[1] We use "refurbish" as a convenient neutral term without legal significance, intended to connote neither "repair" nor "reconstruction" of the used cameras.

[2] The patents are: United States Patent No. 4,833,495 (claims 1, 5, 6, 9 and 11) (the '495 patent); Patent No. 4,855,774 (claims 14 and 15) (the '774 patent); Patent No. 4,884,087 (claims 1, 7, and 8) (the '087 patent); Patent No. 4,954,857 (claims 1, 19 and 22) (the '857 patent); Patent No. 4,972,649 (claims 1 and 9) (the '649 patent); Patent No. 5,235,364 (claims 1 and 11) (the '364 patent); Patent No. 5,361,111 (claim 1) (the '111 patent); Patent No. 5,381,200 (claims 1, 15, 23 and 25) (the '200 patent); Patent No. 5,408,288 (claims 1 and 7) (the '288 patent); Patent No. 5,436,685 (claims 1 and 28) (the '685 patent); Patent No. Re 34,168 (claims 1 and 13) (the RE '168 patent); Design Patent No. D 345,750 (the D '750 patent); Design Patent No. D 356,101 (the D '101 patent); and Design Patent No. D 372,722 (the D '722 patent).

The Commission's decision rests on its ruling that the refurbishment of the used cameras is prohibited "reconstruction," as opposed to permissible "repair." On review of the law and its application, we conclude that precedent does not support the Commission's application of the law to the facts that were found. We conclude that for used cameras whose first sale was in the United States with the patentee's authorization, and for which the respondents permitted verification of their representations that their activities were limited to the steps of (1) removing the cardboard cover, (2) cutting open the plastic casing, (3) inserting new film and a container to receive the film, (4) replacing the winding wheel for certain cameras, (5) replacing the battery for flash cameras, (6) resetting the counter, (7) resealing the outer case, and (8) adding a new cardboard cover, the totality of these procedures does not satisfy the standards required by precedent for prohibited reconstruction; precedent requires, as we shall discuss, that the described activities be deemed to be permissible repair.

For those cameras that meet the criteria outlined above, the Commission's ruling of patent infringement is reversed and the Commission's exclusion and cease and desist orders are vacated. For all other cameras, the Commission's orders are affirmed.

DISCUSSION

Commission factual findings are reviewed in accordance with the standards of the Administrative Procedure Act, and are sustained when they are supported by substantial evidence. 5 U.S.C. § 706(2)(E); *Tandon Corp. v. United States Int'l Trade Comm'n*, 831 F.2d 1017, 1019, 4 USPQ2d 1283, 1284-85 (Fed.Cir.1987). The Commission's legal determinations receive plenary review. *Checkpoint Sys., Inc. v. United States Int'l Trade Comm'n*, 54 F.3d 756, 759-60, 35 USPQ2d 1042, 1045 (Fed.Cir.1995). The application of the law of repair and reconstruction to fact is treated in precedent

as a legal determination, and is reviewed without deference. *Sa[illegible]ebolag v. E.J. Co.*, 121 F.3d 669, 672, 43 USP[illegible]0, 1622 (Fed.Cir.1997).

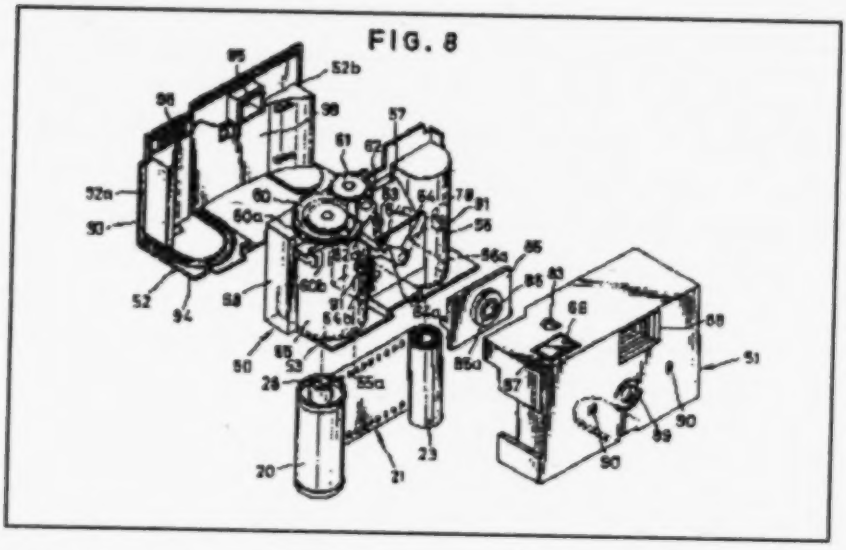
I

The Patented Inventions

The LFFP is a relatively simple camera, whose major elements are an outer plastic casing that holds a shutter, a shutter release button, a lens, a viewfinder, a film advance mechanism, a film counting display, and for some models a flash assembly and battery. The casing also contains a holder for a roll of film, and a container into which the exposed film is wound. At the factory a roll of film is loaded into the camera. The casing is then sealed by ultrasonic welding or light-tight latching, and a cardboard cover is applied to encase the camera.

LFFPs are intended by the patentee to be used only once. After the film is exposed the photo-processor removes the film container by breaking open a pre-weakened portion of the plastic casing which is accessed by removal of the cardboard cover. Discarded LFFPs, subsequently purchased and refurbished by the respondents, are the subject of this action.

The parts of an LFFP are illustrated in Figure 8 of the '087 patent:



Claim 1 of the '087 patent is representative of claims directed to the entire LFFP:

> 1. A lens-fitted photographic film package having an externally operable member for effecting an exposure, comprising:
>
> a light-tight film casing which must be destroyed to open the same, having an opening through which said exposure is made when said externally operable member is operated;
>
> an unexposed rolled film disposed on one side of said opening in said light-tight casing;
>
> a removable light-tight film container having a film winding spool therein disposed on the opposite side of said opening in said light-tight casing from said rolled film, one end of said rolled film being attached to said film winding spool;
>
> means for winding said rolled film into said light-tight film container and around said film winding spool;

and winding control means responsive to operation of said externally operable member for allowing said film winding spool to rotate so as to enable said rolled film to be advanced by only one frame after every exposure; said winding control means including: a sprocket wheel driven by movement of said rolled film;

and a frame counter driven by said sprocket wheel, said frame counter being provided with indications designating a series of frame numbers and means for disabling said winding control means responsive to said frame counter indicating there remains on said unexposed film no film frame capable of being exposed.

Other patents are directed to various components of the LFFP. The '857 patent is directed to a specific film winding mechanism. The '495 patent is directed to a mechanism whereby the film in the LFFP is advanced smoothly without being scratched or gouged, and which prevents the film roll from becoming loose. The '774 patent is directed to the film chambers and film path. The '364 patent claims the LFFP with a flash unit comprising a circuit board, a capacitor, a discharge (flash) tube, and a battery. The '111 patent is directed to the pushbutton that trips the shutter and has a protective structure that prevents the pushbutton from accidentally being depressed. The '200 patent is directed to the shutter mechanism, including the shutter mount, shutter opening, and shutter blade. The '288 patent claims an LFFP in which the winding wheel and film cassette are positively linked through a gear and shaft mechanism requiring the two to rotate relative to each other, avoiding the loss of usable film. The '685 patent is directed to an LFFP assembly that allows easier recycling of used plastic and metal, in which the plastic casing including the film path and film chambers is easily separable from the photo-taking unit containing metal parts including the shutter mechanism and the winding and stop mechanisms.

It is not disputed that the imported refurbished cameras contain all of the elements of all or most of the claims in suit.

The Accused Activities

The appellants import used LFFPs that have been refurbished by various overseas entities (called "remanufacturers" in the ITC proceeding). Some of the remanufacturers refused discovery entirely or in part, and some presented evidence that the ALJ found incomplete or not credible. The Commission explains: "Since so little was known about the accused infringing processes, the ALJ considered the common steps that each participating respondent admitted during the hearing were part of their processes." ITC Brief at 15-16. The ALJ summarized these common steps as follows:

- removing the cardboard cover;
- opening the LFFP body (usually by cutting at least one weld);
- replacing the winding wheel or modifying the film cartridge to be inserted;
- resetting the film counter;
- replacing the battery in flash LFFPs;
- winding new film out of a canister onto a spool or into a roll;
- resealing the LFFP body using tape and/or glue;
- applying a new cardboard cover.

Initial Determination at 108-109. The Commission held that these activities constitute prohibited reconstruction. In view of this holding, it was not material to the Commission's ruling that the full extent of various respondents' activities was not made known, for in all events the importation would be infringing and unlawful.

The appellants argue that they are not building new LFFPs, but simply replacing the film in used cameras. They argue that the LFFPs have a useful life longer than the single use proposed by Fuji, that the patent right has been exhausted as to these articles, and that the patentee can not restrict their right to refit the cameras with new film by the procedures necessary to insert the film and reset the mechanism. Unless these activities are deemed to be permissible, infringement of at least some of the patents in suit is conceded.

Burden and Standard of Proof

On this appeal there is much argument as to the burden and standard of proof. The administrative law judge ruled that the respondents must prove that their remanufactured cameras meet the criteria of permissible repair by clear and convincing evidence. The Commission held that this was not the correct standard, and that the respondents were required to prove the affirmative defense of permissible repair by no more than a preponderance of the evidence. However, the Commission found that this error did not change the correctness of the ALJ's conclusion that the respondents' actions were impermissible reconstruction of the patented articles.

While it is not disputed that repair is an affirmative defense, *see Dana Corp. v. American Precision Co.,* 827 F.2d 755, 758, 3 USPQ2d 1852, 1854 (Fed.Cir.1987) (characterizing repair as an affirmative defense of implied license), the parties disagree as to the order of coming forward with evidence, as well as the placement of the burden of proving that the accused activities are infringing reconstruction. The appellants state that the burden of proving infringement does not leave the patentee, and thus that the Commission incorrectly placed upon the appellants the burden of proving noninfringement. The appellants also argue that Fuji's unrestricted first sale of the patented cameras satisfied *prima facie* the appellants' burden on the affirmative defense of repair, for it established that the patent right had been exhausted; they state that this shifted to

the patentee the burden of proving that the accused activities were not repair. In support the appellants cite *General Electric Co. v. United States,* 215 Ct.Cl. 636, 572 F.2d 745, 783 n. 17, 198 USPQ 65, 97 n. 17 (1978), where the court noted that "Plaintiff, of course, has the burden of proof on issues relating to infringement (including 'reconstruction')."

The Commission ruled that "Once Fuji carried its burden of proof that its claims covered the remanufactured cameras, it was up to appellants to prove their affirmative defense that they were only repairing the cameras, not reconstructing them." The Commission has correctly described this evidentiary sequence. The initial burden is upon the complainant to establish its cause of action, here patent infringement; the patentee must present evidence sufficient to establish that one or more patent claims are infringed. The respondents did not dispute that many or most of the claims in suit read literally on their refurbished cameras. Thus Fuji met its initial burden of showing infringement.

The burden of establishing an affirmative defense is on the party raising the defense. The Commission correctly held that the respondents had the burden of establishing this defense by a preponderance of the evidence, including the burden of coming forward with evidence to show that the activities performed in processing the used cameras constituted permissible repair.

The Law of Permissible Repair and Prohibited Reconstruction

The distinction between permitted and prohibited activities, with respect to patented items after they have been placed in commerce by the patentee, has been distilled into the terms "repair" and "reconstruction." The purchaser of a patented article has the rights of any owner of personal property, including the right to use it, repair it, modify it, discard it, or resell it, subject only to overriding conditions of the sale. Thus patented articles when sold "become the private individual

property of the purchasers, and are no longer specifically protected by the patent laws." *Mitchell v.. Hawley,* 83 U.S. (16 Wall.) 544, 548, 21 L.Ed. 322 (1872). The fact that an article is patented gives the purchaser neither more nor less rights of use and disposition. However, the rights of ownership do not include the right to construct an essentially new article on the template of the original, for the right to make the article remains with the patentee.

While the ownership of a patented article does not include the right to make a substantially new article, it does include the right to preserve the useful life of the original article. It is readily apparent that there is a continuum between these concepts; precedent demonstrates that litigated cases rarely reside at the poles wherein "repair" is readily distinguished from "reconstruction." Thus the law has developed in the body of precedent, illustrating the policy underlying the law as it has been applied in diverse factual contexts. *Cf. Goodyear Shoe Mach. Co. v. Jackson,* 112 F. 146, 150 (1st Cir.1901) ("It is impracticable, as well as unwise, to attempt to lay down any rule on this subject, owing to the number and infinite variety of patented inventions.")

The principle of the distinction between permissible and prohibited activities was explained in *Wilson v. Simpson,* 50 U.S. (9 How.) 109, 13 L.Ed. 66 (1850), where the Court distinguished the right of a purchaser of a patented planing machine to replace the machine's cutting-knives when they became dull or broken, from the patentee's sole right to make or renew the entire machine. The Court observed that the knives had to be replaced every 60-90 days whereas the machines would last for several years, explaining, "what harm is done to the patentee in the use of his right of invention, when the repair and replacement of a partial injury are confined to the machine which the purchaser has bought?" *Id.* at 123.

This principle underlies the application of the law. It was elaborated by the Court in *Aro Manufacturing Co. v. Convertible Top Replacement Co.,* 365 U.S. 336, 81 S.Ct. 599, 5 L.Ed.2d 592 (1961), where the patented combination was a fabric convertible top and the associated metal support structure. The Court explained that replacement of the worn fabric top constituted permissible repair of the patented combination, and could not be controlled by the patentee. The Court restated the principles that govern the inquiry as applied to replacement of unpatented parts of a patented article:

> The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to "in fact make a new article," *United States v. Aluminum Co. of America,* [148 F.2d 416, 425 (2d Cir.1945)], after the entity, viewed as a whole, has become spent. In order to call the monopoly, conferred by the patent grant, into play for a second time, it must, indeed, be a second creation of the patented entity, as, for example, in *American Cotton Tie Co. v. Simmons,* [106 U.S. 89, 1 S.Ct. 52 (1882)]. Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

365 U.S. at 346, 81 S.Ct. 599.

This right of repair, provided that the activity does not "in fact make a new article," accompanies the article to succeeding owners. In *Wilbur-Ellis Co. v. Kuther,* 377 U.S. 422, 84 S.Ct. 1561, 12 L.Ed.2d 419, 141 USPQ 703 (1964), the Court dealt with the refurbishing of patented fish-canning machines by a purchaser of used machines. The Court held that the fairly extensive refurbishment by the new owner, including modification and resizing of six separate parts of the machine, although more than customary repair of spent or

broken components, was more like repair then reconstruction, for it extended the useful life of the original machine. *See id.* at 425, 141 USPQ at 704-05 ("Petitioners in adapting the old machines to a related use were doing more than repair in the customary sense; but what they did was kin to repair for it bore on the useful capacity of the old combination, on which the royalty had been paid.")

Precedent has classified as repair the disassembly and cleaning of patented articles accompanied by replacement of unpatented parts that had become worn or spent, in order to preserve the utility for which the article was originally intended. In *General Electric Co. v. United States,* 215 Ct.Cl. 636, 572 F.2d 745, 198 USPQ 65 (1978), the court held that the Navy's large scale "overhauling" of patented gun mounts, including disassembly into their component parts and replacement of parts that could not be repaired with parts from other gun mounts or new parts, was permissible repair of the original gun mounts. The court explained that the assembly-line method of reassembly, without regard to where each component had originated, was simply a matter of efficiency and economy, with the same effect as if each gun mount had been refurbished individually by disassembly and reassembly of its original components with replacement of a minor amount of worn elements. *Id.* at 780-86, 198 USPQ at 95-100.

Similarly, in *Dana Corp. v. American Precision Co.,* 827 F.2d 755, 3 USPQ2d 1852 (Fed.Cir.1987), the court held that the "rebuilding" of worn truck clutches, although done on a commercial scale, was permissible repair. The defendants in *Dana Corp.* acquired worn clutches that had been discarded by their original owners, disassembled them, cleaned and sorted the individual parts, replaced worn or defective parts with new or salvaged parts, and reassembled the clutches. Although the patentee stressed that some new parts were used and that the rebuilding was a large scale commercial operation, the activity was held to be repair. *Id.* at 759, 827

F.2d 755, 3 USPQ2d at 1855. The court also observed that in general the new parts were purchased from Dana, the original manufacturer of the patented clutches, and that repair of used clutches was contemplated by the patentee. The court rejected the argument that the complete disassembly and production-line reassembly of the clutches constituted a voluntary destruction followed by a "second creation of the patented entity," invoking the phrase of *Aro Manufacturing*, 365 U.S. at 346, 81 S.Ct. 599.

"Reconstruction," precedent shows, requires a more extensive rebuilding of the patented entity than is exemplified in *Aro Manufacturing, Wilbur-Ellis, General Electric,* and *Dana Corp. See also, e.g., Bottom Line Mgmt., Inc. v. Pan Man, Inc.*, 228 F.3d 1352, 56 USPQ2d 1316 (Fed.Cir.2000) (repair of cooking device by reapplying non-stick coating); *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 43 USPQ2d 1650 (Fed.Cir.1997) (modifying unused printer cartridges akin to repair); *Kendall Co. v. Progressive Med. Tech., Inc.*, 85 F.3d 1570, 38 USPQ2d 1917 (Fed.Cir.1996) (replacement of used pressure sleeve in medical device is repair); *Sage Prods., Inc. v. Devon Indus., Inc.*, 45 F.3d 1575, 33 USPQ2d 1765 (Fed.Cir.1995) (replacement of inner container for medical waste is repair); *FMC Corp. v. Up-Right, Inc.*, 21 F.3d 1073, 30 USPQ2d 1361 (Fed.Cir.1994) (replacing worn unpatented picking heads of harvester is repair); *Everpure, Inc. v. Cuno, Inc.*, 875 F.2d 300, 10 USPQ2d 1855 (Fed.Cir.1989) (replacement of entire cartridge containing spent filter is repair); *Porter v. Farmers Supply Serv., Inc.*, 790 F.2d 882, 229 USPQ 814 (Fed.Cir.1986) (replacement of disks in tomato harvester head is repair). In contrast, in *Sandvik Aktiebolag v. E.J. Co.*, 121 F.3d 669, 43 USPQ2d 1620 (Fed.Cir.1997), reconstruction was held to apply when a patented drill bit was "recreated" by construction of an entirely new cutting tip after the existing cutting tip could no longer be resharpened and reused. The court explained that it was not dispositive

that the cutting tip was the "novel feature" of the invention, but that prohibited reconstruction occurred because a "new article" was made after the patented article, "viewed as a whole, has become spent." *See also Lummus Indus., Inc. v. D.M. & E. Corp.*, 862 F.2d 267, 8 USPQ2d 1983 (Fed. Cir.1988) (jury verdict of reconstruction for cutter wheels that were material part of patented invention).

Underlying the repair/reconstruction dichotomy is the principle of exhaustion of the patent right. The unrestricted sale of a patented article, by or with the authority of the patentee, "exhausts" the patentee's right to control further sale and use of that article by enforcing the patent under which it was first sold. In *United States v. Masonite Corp.*, 316 U.S. 265, 278, 62 S.Ct. 1070, 86 L.Ed. 1461 (1942), the Court explained that exhaustion of the patent right depends on "whether or not there has been such a disposition of the article that it may fairly be said that the patentee has received his reward for the use of the article." *See, e.g., Intel Corp. v. ULSI Sys. Tech., Inc.*, 995 F.2d 1566, 1568, 27 USPQ2d 1136, 1138 (Fed.Cir.1993) ("The law is well-settled that an authorized sale of a patented product places that product beyond the reach of the patent.") Thus when a patented device has been lawfully sold in the United States, subsequent purchasers inherit the same immunity under the doctrine of patent exhaustion. However, the prohibition that the product may not be the vehicle for a "second creation of the patented entity" continues to apply, for such re-creation exceeds the rights that accompanied the initial sale.

Fuji states that some of the imported LFFP cameras originated and were sold only overseas, but are included in the refurbished importations by some of the respondents. The record supports this statement, which does not appear to be disputed. United States patent rights are not exhausted by products of foreign provenance. To invoke the protection of the first sale doctrine, the authorized first sale must have occurred under the United States patent. *See Boesch v. Graff*,

133 U.S. 697, 701-703, 10 S.Ct. 378, 33 L.Ed. 787 (1890) (a lawful foreign purchase does not obviate the need for license from the United States patentee before importation into and sale in the United States). Our decision applies only to LFFPs for which the United States patent right has been exhausted by first sale in the United States. Imported LFFPs of solely foreign provenance are not immunized from infringement of United States patents by the nature of their refurbishment.

Application of the Law

In the Commission's Initial Determination the administrative judge, applying the four factors discussed in *Sandvik Aktiebolag*, 121 F.3d at 673, 43 USPQ2d at 1623, held that the remanufacturers had made a new LFFP after the useful life of the original LFFP had been spent. Thus, the ALJ ruled that the remanufacturers were engaged in prohibited reconstruction. The Commission adopted the ALJ's findings and conclusions that the remanufacturers were not simply repairing an article for which either the producer or the purchaser expected a longer useful life, pointing out that the purchaser discarded the camera after use. The Commission ruled that the respondents were not simply repairing the LFFP in order to achieve its intended life span, but created a new single use camera that would again be discarded by its purchaser after use.

Although the Commission's conclusion is supported by its reasoning and reflects concern for the public interest, for there was evidence of imperfections and failures of some refurbished cameras, precedent requires that these cameras be viewed as repaired, not reconstructed. In *Dana Corp.*, for example, the truck clutches had lived their intended lives as originally produced, yet the court ruled that the "rebuilding" of the used clutches was more akin to repair than to reconstruction. The activities of disassembly and rebuilding of the gun mounts of *General Electric* were similarly extensive, yet were deemed to be repair. *Aro Manufacturing* and the other Supreme Court decisions which underlie

precedent require that infringing reconstruction be a "second creation" of the patented article. Although the Commission deemed this requirement met by the "remanufactured" LFFPs, precedent places the acts of inserting new film and film container, resetting the film counter, and resealing the broken case—the principal steps performed by the remanufacturers—as more akin to repair.

The Court has cautioned against reliance on any specific set of "factors" in distinguishing permissible from prohibited activities, stating in *Aro Manufacturing* that "While there is language in some lower court opinions indicating that 'repair' or 'reconstruction' depends on a number of factors, it is significant that each of the three cases of this Court, cited for that proposition, holds that a license to use a patented combination includes the right 'to preserve its fitness for use. . . .'" 365 U.S. at 345, 81 S.Ct. 599. Indeed, this criterion is the common thread in precedent, requiring consideration of the remaining useful capacity of the article, and the nature and role of the replaced parts in achieving that useful capacity. The appellants stress that all of the original components of the LFFP except the film and battery have a useful remaining life, and are reused. The appellants state that but for the exposed roll of film and its container, any portion of the case that was broken by the photo processor, and the winding wheel in certain cameras, the refurbished LFFP is substantially the original camera, for which the patent right has been exhausted.

The Commission placed weight on Fuji's intention that the LFFP not be reused. The '087 patent specification states that

> forming an opening in the film package makes it impossible to reuse the film package. Therefore, it will be impossible to refill a new film into the used film package in order to reclaim a film package for reuse.

'087 patent, col. 6, lines 14-18. However, the patentee's unilateral intent, without more, does not bar reuse of the

patented article, or convert repair into reconstruction. *See Hewlett-Packard*, 123 F.3d at 1453, 43 USPQ2d at 1658 ("a seller's intent, unless embodied in an enforceable contract, does not create a limitation on the right of a purchaser to use, sell, or modify a patented product so long as a reconstruction of the patented combination is avoided").

Claim 7 of the '087 patent is representative of those claims that specifically recite the film container and unexposed film roll, elements that are replaced by the remanufacturers:

> 7. A lens-fitted photographic film package comprising:
>
> a light-tight film casing which must be destroyed to open the same, having an opening through which an exposure is made;
>
> a light-tight film container having a film winding spool therein disposed on one side of said opening in said light-tight film casing;
>
> a rotatable spool disposed on the opposite side of said opening in said light-tight film casing from said light-tight film container;
>
> one end of said spool being exposed outside said light-tight film casing;
>
> a film roll of unexposed film of which one end is attached to said film winding spool in said light-tight film container and which is rolled around said rotatable spool.

The appellants state that the film and its removable container are commercial items, and that their replacement in a camera can not be deemed to be reconstruction. As discussed in *Aro Manufacturing*, the replacement of unpatented parts, having a shorter life than is available from the combination as a whole, is characteristic of repair, not reconstruction. On the totality of the circumstances, the changes made by the remanufacturers all relate to the replacement of the film, the LFFP otherwise remaining as originally sold.

Several of the Fuji patents in suit are directed to specific components of LFFPs, including the '495 (film path), '774 (film chambers and film path), '111 (pushbutton), '200 (shutter mechanism), '685 (recyclable LFFP body), and RE '168 (LFFP body) patents. For example, claim 1 of the '111 patent is directed to a LFFP having a pushbutton designed to avoid inadvertent activation during handling of the camera:

> 1. A lens-fitted photographic film unit containing a photographic film and being adapted to take photographs, comprising:
>
> at least one plastic pushbutton formed integrally with a wall of said film unit, only a portion of said pushbutton being separated from said wall by a slit which surrounds most but not all of said pushbutton, said pushbutton being connected to said film unit by an integral bridge, said pushbutton being adapted to be depressed inwardly of the wall from an initial position and to move back outwardly to said initial position when released;
>
> and a barrier formed on an outer surface of said wall surrounding said pushbutton only partially, said barrier projecting outwardly relative to an actuating surface of said pushbutton when said pushbutton is in said initial position, said barrier terminating in two ends disposed on opposite sides of said bridge.

The ruling of reconstruction as to these patents is incorrect, because the remanufacturing processes simply reuse the original components, such that there is no issue of replacing parts that were separately patented. If the claimed component is not replaced, but simply is reused, this component is neither repaired nor reconstructed.

License

Fuji alternatively contends that the right to repair the patented cameras is impliedly limited by the circumstances of

sale, pointing to the instructions and warnings printed on the covers of the LFFPs, and arguing that these constituted a license limited to a single use. *See Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 709, 24 USPQ2d 1173, 1180 (Fed.Cir.1992) (the conditions of sale of a "single-use" medical device may contractually restrict further use). The administrative law judge found that:

> A Fuji flash QuickSnap single use camera is in a box and each of the box and the outer cardboard cover of the camera has statements instructing the purchaser to not remove the film and return the camera to the photoprocessor and further cautioning the purchaser about the risk of electrical shock if opened by the purchaser. . . . [The packaging also] instructs the purchaser that the single use camera will not be returned to the purchaser after processing. Similar notations are on [other cameras].

Initial Determination at 141.

A license is governed by the laws of contract. *See McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 920, 36 USPQ2d 1289, 1291 (Fed.Cir.1995) ("Whether express or implied, a license is a contract governed by ordinary principles of state contract law."). It was undisputed that no express conditions of sale, license terms or restrictions attended the sale of these cameras. There was no express contractual undertaking by the purchaser. The administrative judge observed that any issue of implied contract or license was mooted by the finding of infringement based on reconstruction, *see* Initial Determination at 165, and made no findings on the issues of contract or license.

Determinations of express or implied license or contract are matters of law. *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687, 231 USPQ 474, 476 (Fed.Cir.1986). As stated in *Hewlett-Packard*, "A seller's intent, unless embodied in an enforceable contract, does not

create a limitation on the right of a purchaser to use, sell, or modify a patented product as long as a reconstruction of the patented combination is avoided." 123 F.3d at 1453, 43 USPQ2d at 1658. We do not discern an enforceable restriction on the reuse of these cameras based on the package statements. These statements are instructions and warnings of risk, not mutual promises or a condition placed upon the sale. *See id.* at 1447-48, 1453, 123 F.3d 1445, 43 USPQ2d at 1652-53, 1657 (refusing implicit limit on modification of cartridges designed to be non-refillable and sold with instructions warning against reuse or refilling); *Kendall Co.*, 85 F.3d at 1576, 38 USPQ2d at 1922 (holding that instruction meant to ensure product safety and efficiency did not have contractual significance).

These package instructions are not in the form of a contractual agreement by the purchaser to limit reuse of the cameras. There was no showing of a "meeting of the minds" whereby the purchaser, and those obtaining the purchaser's discarded camera, may be deemed to have breached a contract or violated a license limited to a single use of the camera. *See Hercules, Inc. v. United States*, 516 U.S. 417, 424, 116 S.Ct. 981, 134 L.Ed.2d 47 (1996) ("An agreement implied in fact is 'founded upon a meeting of minds, which, although not embodied in an express contract, is inferred, as a fact, from conduct of the parties showing, in the light of the surrounding circumstances, their tacit understanding.'") (quoting *Baltimore & Ohio R.R. Co. v. United States*, 261 U.S. 592, 58 Ct.Cl. 709, 43 S.Ct. 425, 67 L.Ed. 816 (1923)). We conclude that no license limitation may be implied from the circumstances of sale.

The Process Patent

The '649 patent claims two methods for loading LFFPs with film and a film cartridge. In the method of claim 1, the film is wound from the cartridge onto a roll in a darkroom; both the film roll and the empty cartridge are then inserted

into the LFFP and the casing is sealed. In the method of claim 9, a film cartridge is placed in the LFFP and the film leader is attached to a spool in the unexposed film chamber; the casing is then sealed, and an external apparatus winds the film into the unexposed film chamber. The administrative law judge found that the procedures of reloading film into the LFFP shells, in the overseas operations for which evidence was provided, infringed claims 1 and 9 of the '649 patent.

The defense of repair is applicable to process claims, as well as to apparatus claims, when the patented process was used in the United States and the patent right has been exhausted for the articles produced thereby. *Cf. Hewlett-Packard*, 123 F.3d at 1455, 43 USPQ2d at 1659 ("When a patentee sells a device without condition, it parts with the right to enforce any patent that the parties might reasonably have contemplated would interfere with the use of the purchased device.") Thus when the same process was used, the patent right for that process was exhausted upon the LFFP's first sale in the United States. Again, however, for respondents who refused to provide evidence to show the methods they were practicing, we have no basis on which to reverse the Commission's judgment.

Summary

The Commission's ruling of reconstruction was based on the acknowledged general activities of the remanufacturers, and thus did not require evidence of whether any specific additional procedures were performed, for such evidence would not have affected the Commission's ruling. However, a ruling of repair can not be open-ended, for there is undoubtedly a stage at which permissible repair becomes prohibited reconstruction. We can not exculpate unknown

processes from the charge of infringing reconstruction.[3] Thus our reversal of the Commission's decision does not apply to LFFPs from those remanufacturing facilities for which discovery was refused or where the evidence offered was found incomplete or not credible by the ALJ. For those respondents' activities that were shown to be limited to those steps considered by the ALJ, as set forth in the Initial Determination at 108-109, *see supra*, and affirmed by the Commission, we conclude that these activities constitute permissible repair. For those respondents who refused to provide discovery or access, or proffered incomplete or "bench" evidence (a partial display created for litigation purposes), or presented testimony that the ALJ found to be not credible or inadequate, it can not be determined from the record whether their remanufacturing activities are limited to those considered by the ALJ and on which our ruling of permissible repair is based. For those respondents, the record contains insufficient basis on which to reverse the Commission's rulings.

Validity and Enforceability of the '649 Patent

The only patent whose validity or enforceability was challenged is the '649 process patent. The appellants argue that a combination of the reference of Prontor-Werk with either the Voightlander or Kodak reference renders the '649 claims invalid on the ground of obviousness. These references had not been cited in prosecution of the '649 patent, but had been cited in the '400 patent in suit, and in another Fuji patent that is not in suit. The ALJ found that references containing the same teachings as the Prontor-Werk, Voightlander, and Kodak references were before the examiner of the '649 patent. Substantial evidence supports these findings.

---

[3] We take note that one of the original respondents admitted that it was building new LFFP cameras in China. These imported cameras were held to infringe, and are not part of this appeal.

The ALJ found that there was no suggestion in the prior art to combine these references to produce the '649 process. Thus the ALJ ruled, and the Commission agreed, that the combination of these references did not render obvious the claimed process. No error in this ruling has been demonstrated. The ruling that invalidity of the '649 patent was not shown is affirmed.

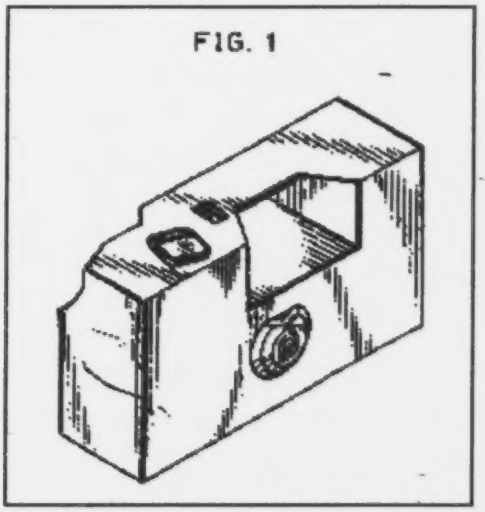
The appellants also argue that the administrative law judge erred in not holding the '649 patent unenforceable for inequitable conduct, stating that the patentee should have cited these references to the examiner since they were cited in other patent applications. However, failure to cite cumulative references is not inequitable conduct. The ALJ found that the subject matter contained in these references was before the patent examiner in a cited Netherlands patent and Japanese publication. References cumulative to cited references do not raise issues of withholding of material prior art. *See Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1582, 18 USPQ2d 1001, 1014-15 (Fed.Cir.1991); *Specialty Composites v. Cabot Corp.*, 845 F.2d 981, 992, 6 USPQ2d 1601, 1609 (Fed.Cir.1988).

The administrative law judge found that the respondents had "provided no testimony that Fuji or its attorneys prosecuting the '649 application had any intent to deceive and the record is devoid of any such evidence." The appellants have not directed us to error in this finding. The simple absence of a reference from the prosecution record does not prove deceptive intent; there must be evidence sufficient to show, clearly and convincingly, the intent to withhold material information in order to deceive or mislead the examiner. *See Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872, 9 USPQ2d 1384, 1389 (Fed.Cir.1988) (en banc) ("Inequitable conduct resides in failure to disclose material information . . . with an intent to deceive. . . .").

The findings on the issues of materiality and intent are supported by substantial evidence, and are affirmed. The Commission's ruling that inequitable conduct was not established is affirmed.

Design Patents

The patented designs depict the exterior shape of the camera. Figure 1 from the D '750 design patent is illustrative:



The exterior design is unaffected by the "remanufacturing" process; it remains in its original form in the outer box and plastic structure of the LFFP. The respondents do not dispute that their cameras have the same design as the original cameras; indeed, their argument is that their cameras are the original cameras, repaired for reuse.

For original cameras that have been permissibly repaired, the principle of exhaustion applies to the design patents as well as to the utility patents. The design patent right, like all patent rights, is exhausted by unrestricted first sale in the United States, and is not infringed by the importation and resale of the repaired articles in their original design. The

judgment of infringement of the design patents is reversed, for those cameras for which the United States patent right was exhausted as discussed herein.

CONCLUSION

The judgment of patent infringement is reversed with respect to LFFPs for which the patent right was exhausted by first sale in the United States, and that were permissibly repaired. Permissible repair is limited, as discussed herein, to the steps of removing the cardboard cover, cutting open the casing, inserting new film and film container, resetting the film counter, resealing the casing, and placing the device in a new cardboard cover. Included in permissible repair is replacement of the battery in flash cameras and the winding wheel in the cameras that so require. For these products the Commission's orders are vacated.

LFFPs whose prior sale was not in the United States, or LFFPs remanufactured by procedures more extensive than those we hold to constitute repair, or whose remanufacturing procedures were withheld or insufficiently disclosed to the Commission, remain subject to the Commission's orders. For these products the Commission's orders are affirmed.

Any further proceedings in implementation of our decision shall be taken to the Commission. By motions recently filed, Fuji has asserted circumventions of the Commission's orders; this matter is appropriately considered by the Commission on remand. In addition, Dynatec states that it has sold its business, although no formal notice of substitution was provided. Our ruling applies only to the entities who have placed themselves before us.

This court's stay of the Commission's orders is lifted.

The parties shall bear their costs.

AFFIRMED IN PART, REVERSED IN PART, AND REMANDED; STAY LIFTED.

APPENDIX B

PUBLIC VERSION

UNITED STATES INTERNATIONAL
TRADE COMMISSION
Washington, DC 20436

[Filed June 28, 1999]

Inv. No. 337-TA-406

In the Matter of

CERTAIN LENS-FITTED FILM PACKAGES

COMMISSION OPINION

INTRODUCTION

On February 24, 1999, the presiding administrative judge (ALJ) issued his final initial determination (ID) in the above-captioned investigation. He found a violation of section 337 by 26 respondents in the importation and sale of lens-fitted film packages (LFFPs), products more commonly known as disposable, or single use cameras. He found that each respondent infringed six or more of the claims of the 12 utility patents at issue, but that complainant had failed to carry its burden in proving that respondents had infringed the three design patents at issue.

On April 19, 1999, the Commission determined to review portions of the ID. Specifically, the Commission determined to review (1) the standard of proof applied by the ALJ in deciding whether respondents had engaged in infringing reconstruction rather than permissible repair, (2) the ALJ's determination that complainant had failed to carry its burden in proving design patent infringement, and (3) the

ALJ's determination on utility patent infringement insofar as necessary to correct certain clerical errors in the ID's infringement findings and conclusions of law. 64 Fed. Reg. 20324 (April 26, 1999). The Commission also requested and received written submission on the issues of remedy, the public interest, and bonding.

DISCUSSION

I. Background

A. The Products

The products at issue in this investigation are inexpensive, disposable, single use cameras, technically referred to as "lens-fitted film packages" or "LFFPs." LFFPs are generally constructed of a shell made of a plastic material such as polystyrene. They are equipped with a button-activated shutter, a lens, a viewfinder, a film advance mechanism, and optional flash units and buttons. An outer cardboard cover, containing printed information such as branding and instructions, encases the shell. LFFPs are preloaded with film and a film cartridge. When pictures are taken, the exposed film winds into the film cartridge. After taking pictures, a typical consumer brings the entire LFFP to a film processor to have the film developed and receives back only negatives and prints, not the LFFP shell and its contents.

Two broad categories of cameras were at issue in this investigation: (1) newly-manufactured LFFPs made by respondent Achiever Industries Limited (Achiever), an entity located in Hong Kong, and imported by respondent P.S.I. Industries, (PSI); and (2) "remanufactured" LFFPs supplied by several Asian firms and imported by domestic respondents other than PSI. The remanufactured LFFPs are made using LFFP shells that were manufactured by Fuji or its licensees, Eastman Kodak Company and Konica Corporation, and obtained from film processors after the original film was developed.

B. Procedural History

This investigation was instituted on March 25, 1998, based on a complaint by Fuji Photo Film Co., Ltd. (Fuji) of Tokyo, Japan. 63 Fed. Reg. 14474. Fuji's complaint alleged unfair acts in violation of section 337 in the importation and sale of certain LFFPs. The complaint alleged that 27 respondents had infringed one or more claims of 15 patents held by Fuji, *viz.*—

(1) claims 1, 5, 6, 9, or 11 of U.S. Letters Patent 4,833,495 (the '495 patent);

(2) claims 14 or 15 of U.S. Letters Patent 4,855,774 (the '774 patent);

(3) claims 1, 7, 8, or 15 of U.S. Letters Patent 4,884,087 (the '087 patent);

(4) claims 1, 19, and 22 of U.S. Letters Patent 4,954,857 (the '857 patent);

(5) claims 1 or 9 of U.S. Letters Patent 4,972,649 (the '649 patent);

(6) claims 14 or 16 of U.S. Letters Patent 5,063,400 (the '400 patent);

(7) claims 1 or 11 or U.S. Letters Patent 5,235,364 (the '364 patent);

(8) claim 1 of U.S. Letters Patent 5,361,111 (the '111 patent);

(9) claims 1, 15, 23, or 25 of U.S. Letters Patent 5,381,200 (the '200 patent);

(10) claims 1 or 7 of U.S. Letters Patent 5,408,288 (the '288 patent);

(11) claims 1 or 28 of U.S. Letters Patent 5,436,685 (the '685 patent);

(12) claims 1 or 13 of U.S. Letters Patent Re 34,168 (the Re '168 patent);

(13) the claim of U.S. Letters Patent Des. 345,750 (the D'750 patent);

(14) the claim of U.S. Letters Patent Des. 356,101 (the D'101 patent); and

(15) the claim of U.S. Letters Patent Des. 372,722 (the D'722 patent).

The Commission determined to institute an investigation of Fuji's complaint and referred the complaint to an ALJ for an evidentiary hearing, the issuance of an ID on violation, and a recommended determination (RD) on remedy and bonding.

On October 23, 1998, the Commission determined that eight respondents (Boshi Technology Ltd., Fast Shot, Haichi International, Innovative Trading Company, Labelle Time, Inc., Linfa Photographic Ind. Co. Ltd., Forcecam, Inc., and Rino Trading Co. Ltd.) were in default for failure to respond to the complaint and notice of investigation. An evidentiary hearing was held November 2-13, 1998. Ten respondents that had filed responses to the complaint and notice of investigation (Ad-Tek Specialties Inc., AmerImage, Inc, d/b/a/ Rainbow Products, Boecks Camera LLC, BPS Marketing, E.T. Trading d/b/a Klikit, Penmax, Inc. PhilmEx Photographic Film, T.D.A. Trading Corp., Vantage Sales, Inc., and Vivitar Corp.) failed to appear at the hearing.

Eight respondents (the participating respondents) appeared at the evidentiary hearing, *viz.*, Achiever, Argus Industries (Argus), China Film Equipment (China Film), Dynatec International Inc. (Dynatec), Jazz Photo Corp. (Jazz), OptiColor Camera (OptiColor), P.S.I., and Sakar International, Inc. (Sakar). On December 4, 1998, the Commission determined not to review an ID granting complainant Fuji's oral motion to withdraw claim 16 of the '400 patent from the investigation. 63 Fed. Reg. 67918 (Dec. 9, 1998).

On February 24, 1999, the ALJ issued his final ID, finding a violation of section 337 by 26 of the 27 named respondents.[1] The ALJ also issued his RD on remedy and bonding.[2] Petitions for review of the ID were filed by complainant Fuji, the Commission investigative attorney (IA), and the participating respondents. On April 19, 1999, the Commission determined to review the issues of (1) whether the ALJ had applied the proper standard for the burden of proof on the repair/reconstruction issue, (2) whether the ALJ had correctly determined the issue of design patent infringement, and (3) other infringement issues insofar as necessary to make certain technical corrections. 64 Fed. Reg. 20324 (April 26, 1999). The remainder of the ID became the Commission's determination pursuant to Commission rule 210.42(h), 19 C.F.R. § 210.42(h). The Commission requested and received written submissions on the issues of remedy, the public interest and bonding.

IV. Violation Issues Under Review

A. Standard of Proof on the Repair/Reconstruction Issue

1. The ID

The ID stated at page 96:

> The doctrine of permissible repair is an affirmative defense, *see Dana Corporation v. American Precision Company*, 827 F.2d 755, 758 (Fed. Cir. 1987). The party asserting an affirmative defense must prove the facts that establish that defense by clear and convincing evidence, *see RCA Corp. v. Applied Digital Data Says., Inc.* 221 USPO 385, 387 (Fed. Cir. 1984); *see also Symbols Tachs v. Option, Inc.*, 935 F.2d 1569, 1580

[1] Fuji admitted at closing argument that one named respondent, Opticam Inc, was not violating section 337.

[2] The ALJ issued his RD on remedy and bonding under Commission rule 210.42(a)(1)(ii), 19 C.F.R. § 210.42(a)(1)(ii), as part of his final ID.

> (Fed. Cir. 1991). Thus respondents involved in the alleged "remanufacture" have the burden to prove by clear and convincing evidence that their actions are a permissible repair rather than an impermissible reconstruction.[3]

In holding respondents to the standard of clear and convincing evidence in order to show permissible repair, the ALJ relied on two cases, *RCA Corp.* and *Symbols Tachs*, that involved the affirmative defense of patent invalidity. Because of the statutory presumption of validity contained in 35 U.S.C. § 282, the facts establishing the affirmative defense of invalidity must be supported by clear and convincing evidence. *S.S.I.H. SA v. USITC*, 718 F.2d 365, 375. However, we are aware of no cases that impose the clear and convincing evidence standard of proof in license defense cases. To the contrary, *Technical Development Corp. v. United States*, 597 F.2d 733, 746 (Ct. Cl. 1979), holds that an infringer bears the burden of proving a license defense by a preponderance of the evidence. Accordingly, we determine that respondents were required to carry their burden by a preponderance of the evidence.

The ALJ, however, did not rule against respondents merely because they had failed to carry their burden of proof on permissible repair. Rather, the ID contains detailed findings on the activities of some of the remanufacturing respondents' suppliers, and concluded that those respondents "are effectively recreating the patented single use camera of complainant and its licensees, and hence are involved in impermissible reconstruction." ID at 164. Thus, the ALJ affirmatively found that those respondents were engaged in impermissible reconstruction of a patented good. He found that the other remanufacturing respondents were infringing Fuji's patents because they obtained their LFFPs from factories where Fuji

---

[3] The ID repeated this standard at page 164.

was not allowed to inspect their remanufacturing processes. ID at 133. Since there was insufficient information in the record about the processes employed by their suppliers, *id.*, those respondents failed to carry their burden of proof, regardless of the standard of proof that was imposed. Accordingly, we determine that application of the correct standard of proof to the ALJ's findings does not affect his conclusions on the repair/reconstruction issue.[4]

B. Infringement of Design Patents

1. The ID

The ALJ found that Fuji had not sustained its burden of establishing that the three design patents in issue are infringed by respondents. ID at 81. His determination was based on (1) his interpretation of the case law to require evidence from someone other than an expert, and (2) the fact that the accused LFFPs are sold with outer cardboard covers that in some instances have a private label, and in other instances identify the source. *Id.* He found it significant that the purchaser never removes the outer cardboard cover. *Id.*

The ALJ acknowledged the testimony of Fuji's expert, Mr. Bellows, who compared the ornamental design illustrations of the D'750 patent with a sample of the imported Type 1 LFFP without flash, and found them to be substantially identical.[5] He compared the ornamental design illustrations of D '101 with samples of the Type 1 LFFPs with flash, and found them

---

[4] The Commission did not review the ALJ's findings and conclusions of law on the repair/reconstruction issue. Hence, the ALJ's findings and conclusions of law on that issue became part of the Commission's final determination under Commission rule 210.42(h), 19 C.F.R. § 210.42(h).

[5] There were many models of accused LFFPs in this investigation. The remanufactured models that use Fuji shells were referred to as Types 1-5. LFFP Type 6 were newly-manufactured by respondent Achiever. LFFP Types 7 and 7A were remanufactured using Kodak shells, and LFFP Types 8 and 8A were remanufactured using Konica shells.

to be substantially identical. Mr. Bellows also compared the ornamental design illustrations of the D'722 patent with samples of the imported Type 4 LFFPs with flash and found them to be substantially identical. Mr. Bellows concluded that the Type 1 LFFPs with flash of respondents Ad-Tek, Fast Shot, and Linfa are substantially identical to the claim of the D'101 patent; and that the Type 4 LFFPs with flash of respondents Boecks, China Film, Dynatec, Forcecam, Jazz, Klikit, OptiColor, Penmax, PhilmEx, Rino, and Sakar are substantially identical to the claim of the D'722 patent. Mr. Bellows testified that he compared the ornamental design illustrations of D'750 with a sample of the Type 1 LFFP without flash, and found them to be substantially identical. ID at 80.

The ALJ correctly stated that, under *ODDzOn Products, Inc. v. Just Toys, Inc.*, 122 F.2d 1396, 1405 (Fed. Cir. 1997), design patent infringement is a question of fact that the patent holder must prove by a preponderance of the evidence. He also noted that the requisite similarity between the patented design and the accused article is determined by the *ordinary observer test*, which the Supreme Court first articulated over a hundred years ago in *Gorham M.G. Co. v. White*, 81 U.S. (14 Wall.) 511 (1872). He interpreted *Gorham* to hold that identity cannot be tested through the eyes of an expert, but must be tested by an "ordinary observer," quoting:

> if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, and if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other. [81 U.S. (14 Wall.) at 528].

Thus, the ALJ interpreted *Gorham* to require that the comparison between the accused and patented designs must be made *not* by an expert, but by an ordinary observer. Since Mr. Bellows was an expert in mechanical engineering,

camera manufacturing, and camera design, the ALJ found that he was not "an ordinary observer" and, therefore, that Fuji failed to carry its evidentiary burden. ID at 81.

We believe that the ALJ erred in his interpretation of *Gorham M.G. Co. v. White.* The Supreme Court stated in *Gorham*:

> Experts therefore are not the person to be deceived. Much less than that which would be substantial identity in their eyes would be indistinguishable in the eyes of men generally, of observers of ordinary acuteness, bringing to the examination of the article upon which the design has been placed the degree of observation which men of ordinary intelligence give. It is persons of the latter class who are the principal purchasers of the articles to which designs have given novel appearance, and if they are misled, and induced to purchase what is not the article they suppose it to be . . . the patentees are injured, and the advantage of the market that the patent was granted to secure is destroyed.

Gorham, 81 U.S. (14 Wall.) at 528.

Thus, the Supreme Court did not state that expert testimony cannot be used to prove infringement, but rather that expert testimony, which is a more exacting level of proof, is not required to prove design patent infringement. Accordingly, we determine that the burden of proof on design patent infringement can be carried by expert testimony.

The analysis of design patent infringement first requires the fact-finder to determine whether the patented design as a whole is substantially similar in appearance to the accused design. *ODDzOn Prod. Inc. v. Just Toys, Inc.* 122 F.2d at 1405. Mr. Bellows testified that he reviewed the drawings of the D'750, D'101, and D'722 patents and compared them to the accused cameras, and determined that the designs were substantially identical. His testimony was not challenged by

respondents. Indeed, respondents have never disputed substantial similarity of design, either before the ALJ or in their submissions to the Commission. To the contrary, respondents' counsel admitted on the record at the pretrial conference that respondents were using Fuji LFFP shells that were covered by the asserted design patents.[6]

We have compared the accused LFFPs with the designs claimed in the asserted design patents and have determined that the accused Type 1 LFFPs with flash (*e.g.*, CPX 173, CPX 195, CPX 204) are substantially identical to the design claimed in D'101, that the accused Type 4 LFFPs with flash (*e.g.*, CPX 186, CPX 187, CPX 188) are substantially identical to the design claimed in D'722, and that Linfa (CX 266) and Vantage (CX 487C) sales brochures depict LFFPs that are substantially identical to the design patent claimed in D'750.[7] *See Avia Group Int'l. Inc. v. L.A. Gear Cal., Inc.*, 853 F.2d 1557, 1565 (Fed. Cir. 1988)(affirming a trial court holding that "one needs only to look at the two . . . [products] to see that infringement exists.")

We also determine that, as a matter of law, respondents cannot avoid infringement by affixing a different design or logo to the cardboard cover of the LFFP or by packaging their LFFP in an outer carton. Under *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1126 (Fed. Cir. 1993), "[d]esign patent infringement relates solely to a patented design and does not require proof of unfair competition in the marketplace [citation omitted], or allow avoidance of infringement by labeling." Furthermore, the drawings in the D'101, D'722, and D'750 patents show that each of the claimed designs consists of a rectangular body with certain camera features (*e.g.*, lens, viewfinder) in particular locations.

---

[6] *See* Prehearing Tr. 130-35, 141-46 (November 2, 1998).

[7] Commissioner Crawford did not base her determination on a comparison of the accused LFFPs and the designs claimed in the asserted design patents.

There is no feature in the patented designs that is not visible in respondents' reloaded Type 1 and Type 4 LFFPs, even with the cardboard cover in place. Thus, the cardboard covers on respondents' LFFPs do not cover over the claimed design.

Based on our own observation of the accused LFFPs, the testimony of Mr. Bellows, and the failure of respondents to contest the allegations of design patent infringement, we determine that Fuji has carried its burden of proof in establishing infringement of its three design patents.[8] Accordingly, we reverse the ALJ's contrary finding.

C. Clarification of Certain Aspects of the ID

There were a few technical mistakes in the ID, which we determine to correct on review. Based on the stipulation between respondent Achiever, Fuji, and the IA,[9] we find that Achiever Type 6 LFFPs infringe claim 15 of the '087 patent. We find no infringement of claim 16 of the '400 patent, given that Fuji withdrew claim 16 of the '400 patent from the investigation during the evidentiary hearing.[10] Finally, we find respondents Labelle and Innovative in violation of section 337. The ALJ omitted making a conclusion of law concerning whether these respondents, who had been found in default, had violated section 337. The ALJ's findings of fact support a finding of violation, ID at pp. 218-19, 221-23, FF 18, 27, 28, 33, 34, and we accordingly conclude that Labelle and Innovative have violated section 337.

---

[8] Based on the testimony of Mr. Bellows and the failure of respondents to contest the allegations of design patent infringement, Commissioner Crawford determines that Fuji has carried its burden of proof.

[9] SX-1, p. 5, ¶ 12

[10] *Notice of Commission Determination Not to Review an Initial Determination Amending the Complaint and Notice of Investigation* (December 4, 1998).

V. Remedy, the Public Interest, and Bonding

When the Commission finds a violation of section 337, as it has here, it must consider the issues of remedy, the public interest, and bonding. 19 U.S.C. §§ 1337(d), (f), and (j)(3).

A. Remedy

1. General Exclusion Order

The ALJ recommended that we issue a general exclusion order in this investigation. We adopt that recommendation.[11] The Commission has long held that a general exclusion order is appropriate when there is proof of (1) a widespread pattern of unauthorized use of the patented invention, and (2) certain business conditions from which one might reasonably infer that foreign manufacturers other than respondents to the investigation may attempt to enter the U.S. market with infringing products. *Certain Airless Paint Spray Pumps and Components Thereof*, Inv. No. 337-TA-90, USITC Pub.1199 at 17 (1981) (*Spray Pumps*). In 1994, statutory standards for issuance of general exclusion orders were codified in section 337(d), which provides:

> (2) The authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines that—
>
> > (A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or
> >
> > (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products.

19 U.S.C. § 1337(d)(2); *see also* Commission rule 210.50(c). These statutory standards "do not differ significantly" from the *Spray Pumps* standards. *Certain Neodymium-Iron-Boron*

---

[11] We also adopt the ALJ's findings in support of his recommendation.

Magnets, Inv. No. 337-TA-372, Commission Opinion, USITC Pub. No. 2964 at 5 (1996)*(Magnets)*.

The Commission has established the following factors as relevant in demonstrating whether there is a "widespread pattern of unauthorized use"—

> (1) a Commission determination of unauthorized importation into the United States of infringing articles by numerous foreign manufacturers;
>
> (2) the pendency of foreign infringement suits based upon foreign patents which correspond to the domestic patent at issue; and
>
> (3) other evidence which demonstrates a history of unauthorized foreign use of the patented invention.

Spray Pumps, USITC Pub. 1199 at 31-32.

Based on the record in this investigation, we determine that there has been a widespread pattern of unauthorized use of Fuji's patents. There have been imports or sales by 26 of the 27 respondents named in Fuji's complaint. ID at 208, FFs 6-53. Respondents identified over ten suppliers located in Korea and China. ID at 208, FF 347, FF 348. In addition to the 26 respondents in the business of importing, exporting, or selling infringing LFFPs and the ten LFFP manufacturers and remanufacturers in Korea and China, Fuji's complaint named an additional 16 companies believed to be in the business of selling infringing LFFPs, but for which there was insufficient evidence of importation for them to be named as proposed respondents when the complaint was filed. ID at 209, FF 349, FF 351. The volume of imported infringing products and the number of entities involved in importation has increased greatly over the last few years. ID at 209, FF 352, FF 353. Moreover, it is often difficult to trace the origin of the imported LFFPs because imported LFFPs often do not identify the manufacturer on their packaging. ID at 209, FF 350.

The Commission has established the following factors as relevant in establishing "certain business conditions"—

> (1) an established market for the patented product in the U.S. market and conditions of the world market;
>
> (2) the availability of marketing and distribution networks in the United States for potential foreign manufacturers;
>
> (3) the cost to foreign entrepreneurs of building a facility capable of producing the patented article;
>
> (4) the number of foreign manufacturers whose facilities could be retooled to produce the patented article; and
>
> (5) the cost to foreign manufacturers of retooling their facility to produce the patented article.

Spray Pumps, USITC Pub. 1199 at 31-32.

In this investigation, substantial sales of LFFPs in the United States clearly demonstrate an established market for the patented product in the U.S. market, and in fact, throughout the world. ID at 209, FF 337, FF 352, FF 354. The success of respondents in distributing their LFFPs in the premium and retail markets demonstrates the availability of marketing and distribution networks in the United States for potential foreign manufacturers. ID at 209, FF 352, FF 353. Furthermore, we determine that additional LFFP remanufacturing facilities can be set up at minimal cost. ID at 209, FF 355, FF 356.

We deny Fuji's request that the general exclusion order and/or cease and desist orders include a requirement that all persons importing LFFPs into the United States who contend that their products do not infringe the asserted claims of the utility patents in issue be required to report this fact to the Commission and to the U.S. Customs Service (Customs) at the time of seeking entry, along with an analysis of why the LFFPs sought to be imported do not infringe Fuji's patents.

Such a provision is unprecedented and may be beyond the Commission's authority under section 337, which authorizes only the exclusion of imported products found in "violation of this section," 19 U.S.C. § 1337(d). In any case, Fuji has not demonstrated a need for such a provision or explained how it would benefit Fuji. In our view, requiring such analyses would impose burdens on the Commission and Customs that would likely outweigh any benefits to Fuji. Customs can determine whether imported goods infringe Fuji's utility patents by disassembling the imported LFFPs. [12] Our decision to issue cease and desist orders to a large number of domestic respondents, which we discuss below, will likely reduce the level of imports, and therefore diminish the burden on Customs of disassembling and examining imported LFFPs.

Fuji and the IA believe that it is appropriate for the exclusion order to identify particular types of LFFPs found to infringe Fuji's claims as non-limiting examples of infringing LFFPs. They have identified exhibits depicting diagrams of LFFPs found to be infringing in this investigation, *i.e.*, CX-742 through CX-748, CX-748A, and CX-749. We agree that it would be helpful to Customs to have this information, and therefore have attached these diagrams to the general exclusion order. We emphasize, however, that the examples are non-limiting and that LFFPs that infringe any of the claims listed in the general exclusion order are covered by the general exclusion order.

Fuji requests that the general exclusion order not be limited to entries for consumption. It contends that even entries for re-exportation, warehousing, or other purposes injure the

---

[12] We note that Fuji, the IA, and respondents Achiever and PSI stipulated that one cannot determine whether any claim of any utility patent asserted by Fuji against respondents Achiever and PSI is or is not infringed merely by examining the exterior of a camera made by respondent Achiever in the form in which it is imported into the United States. (SX-2)

domestic industry, which exports millions of LFFPs per year to foreign markets. In *Certain Devices for Connecting Computers Via Telephone Lines*, Inv. No. 337-TA-360, Commission Opinion at 11-12 (December 2, 1994), the Commission determined that section 337 authorizes it to exclude all types of entries, not just entries for consumption. However, the Commission also determined that, because it exercises its authority to exclude in "measured fashion," it would not exclude entries other than for consumption in most cases. The Commission stated:

> In future investigations, types of entry other than "entry for consumption" may be restricted as appropriate in light of the facts of a given case. A complainant that seeks exclusion of other types of entry should present evidence that activities by respondents involving other types of entry either are adversely affecting it or are likely to do so.

Id. at 13.

In this case, Fuji has made only generalized allegations of possible injury to its foreign sales from entries for re-exportation, transshipment, or other purposes, and has not provided evidence of any particular adverse effect that is now occurring or likely to occur in the future. Fuji has not provided any information regarding the volume of these other types of entries that are currently occurring or are likely to occur once a general exclusion order is entered, and does not identify any country in which its products are suffering from competition from infringing products that have been shipped via the United States. Since Fuji has failed to make an adequate showing that the order should cover entries other than for consumption, we deny its request.

Finally, Customs has indicated that a provision exempting LFFPs brought into the United States for personal use would be important in avoiding potential problems in the

administration of the general exclusion order.[13] Fuji supports such an exemption.[14] Accordingly, the general exclusion order contains a provision exempting LFFPs brought into the United States for personal use from coverage by the order.

2. Cease and Desist Orders

Section 337(f) permits the Commission to issue, in lieu of or in addition to an exclusion order, a cease and desist order directing persons found to have violated section 337 "to cease and desist from engaging in the unfair methods or acts involved." 19 U.S.C. § 1337(f). Cease and desist orders are warranted with respect to domestic respondents that maintain commercially significant U.S. inventories of the infringing product. *See, e.g., Certain Crystalline Cefadroxil Monohydrate*, Inv. No. 337-TA-293, USITC Pub. 2391 at 37-42 (June 1991) (*Cefadroxil).* Domestic respondents who have defaulted are presumed to maintain significant inventories of infringing products in the United States and are likewise subject to cease and desist orders. *Certain Agricultural Tractors Under 50 Power Take-Off Horsepower*, Inv. No. 337-TA-380, USITC Pub. 3026 at 32, n.124 (March 1997) *(Tractors*). Where respondents have failed to provide contrary information, the Commission infers the existence of commercially significant inventories. *Cefadroxil*, USITC Pub. 2391 at 41-42.

The ALJ found that in this investigation several respondents, including at least AmerImage, Argus, Boecks Camera, BPS Marketing, China Film, Dynatec, Jazz, OptiColor, Penmax, PhilmEx, PSI, Sakar, TDA, Vantage, and Vivitar, provided information as to their inventory levels, all of which he found to be commercially significant. ID at 210, CX-830. The remaining respondents were either found in default or did

---

[13] Letter from T. Spence Chubb of the Office of Unfair Import Investigations to the Commission dated May 7, 1999.

[14] Letter from Fuji's counsel to the Commission, dated May 10, 1999.

not supply contrary information. Accordingly, the ALJ recommended that cease and desist orders be issued against each of the domestic respondents.

Respondent Penmax asks that it not be subject to a cease and desist order because it no longer has a commercially significant inventory, having depleted its inventory during the investigation. Penmax includes an affidavit from its president, Mr. Yuan, which states that it has liquidated its stock of unlicensed LFFPs, has no unlicensed inventory, and has ceased buying any LFFPs that are not licensed by Fuji.[15] The Commission has traditionally issued cease and desist orders during the period of Presidential review only to respondents that have, or can be inferred to have, a commercially significant inventory. *Cefadroxil,* USITC Pub. 2391 at 37-42. We find that Penmax has made a credible showing that it has no remaining inventory, and therefore will not issue a cease and desist order against Penmax. Accordingly, we determine to issue cease and desist orders against the following 20 domestic respondents: Ad-Tek, Argus, Boecks, BPS, Dynatec, Fast Shot, Forcecam, Haichi, Innovative, Jazz, Klikit, Labelle, OptiColor, PhilmEx, PSI, Rainbow, Sakar, TDA, Vantage, and Vivitar.[16]

---

[15] Affidavit of Mr. Victor Yuan, President, Penmax, Inc., dated May 5, 1999.

[16] We adopt the findings made by the ALJ in support of his recommendation regarding cease and desist orders.

Fuji's complaint named an entity called Fast Shot at 7250 Harwill Dr., Suite O, Houston, Texas 77036. On March 18, 1998, the Commission served a copy of the complaint on an entity named Fast Shot by certified mail at the address listed in the complaint. Although the Commission received a signed return receipt for delivery of the complaint, it did not receive a response to the complaint from an entity named Fast Shot. Accordingly, on August 20, 1998, the ALJ issued an order to an entity named Fast Shot directing it to show cause why it should not be found in default. The show cause order was served by certified mail at the address listed in the complaint. The Commission received a signed return receipt

The cease and desist orders prohibit the twenty domestic respondents from importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), or soliciting U.S. agents or distributors for certain LFFPs, in violation of section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337. The orders require respondents to report the quantity in units and the value in dollars of foreign-made LFFPs that they have imported and sold in the United States during a one year reporting period, and the quantity and value of covered LFFPS that remains in inventory at the end of the reporting period. The reporting requirement continues in force until the respondent has truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered LFFPS in the United States.

B. REQUESTS FOR STAY OF THE COMMISSION'S REMEDIAL ORDERS

The participating respondents asked that the Commission stay any remedy order pending the outcome of the anticipated appeal of the Commission's determinations to the U.S. Court of Appeals for the Federal Circuit (Federal Circuit). Re-

---

for delivery of the show cause order, but no response to the order. Accordingly, the Commission found an entity named Fast Shot in default on October 23, 1998.

On May 6, 1999, the Commission received a letter from an entity named Fastcam Enterprise Corp. at 7250 Harwin Dr., Suite N, Houston, Texas 77036, stating that it believes it may be the same entity referred to as Fast Shot in Fuji's complaint. While the name and address for Fastcam and Fast Shot are similar, Fastcam was not named in the complaint and was not properly served with the complaint or the show cause order. Since the Commission strictly adheres to proper procedures before holding an entity in default, we did not find Fastcam in default or issue a cease and desist order to Fastcam. Nevertheless, since an entity named Fast Shot was properly found in default, the Commission determined to issue a cease and desist order to an entity named Fast Shot at 7250 Harwill Dr., Suite O, Houston, Texas 77036.

spondents Jazz and Dynatec argue that a stay is justified under *Standard Havens Products Inc. v. Gencor Industries, Inc.*, 897 F.2d 511, 512 (Fed.Cir. 1990). Respondents Argus, China Film, and Sakar do not rely on the *Standard Havens* analysis but simply contend that the Commission should allow importation and market presence by the remanufacturers "until and unless the appellate court(s) determine in favor of any wholesale removal of" the remanufactured LFFPs.[17] Respondent PSI requests "temporary relief" from any cease and desist order for a period of six months so that it can dispose of its inventory. In its reply submission, OptiColor joined in PSI's request for a temporary stay.

Under *Standard Havens*, the Federal Circuit considers the following factors in determining whether to stay a remedial order pending appeal: (1) whether the stay applicant has made a strong showing that it is likely to succeed on the merits; (2) whether the applicant will be irreparably injured absent a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) where the public interest lies. While all factors must be considered, they need not be given equal weight. *Id.* The Commission has the authority to stay its remedial orders under 5 U.S.C. § 705. The Commission has adopted the basic framework set forth in *Standard Havens* for considering whether to stay the effectiveness of its orders. *Certain Agricultural Tractors Under 50 Power Take-Off Horsepower*, Inv. No. 337-TA-380, *Commission Opinion Denying Respondent's Petition for Reconsideration and Motion for Relief Pending Appeal* at 9-10 (April 24, 1997) (*Tractors Opinion Denying Motion for*

[17] The arguments of Argus, China Film, and Sakar on remedy, the public interest, and bonding are based upon the proposition that the Commission erred in adopting the ALJ's determination that the respondent remanufacturers' activities constituted impermissible reconstruction rather than permissible repair. Respondents made these arguments in their petitions for review, and we find them no more persuasive now.

Relief Pending Appeal). However, rather than requiring a showing of likelihood of success on appeal, the Commission determined that it need only find that it has ruled on "an admittedly difficult legal question." *Id.* at 10.

Jazz argues that it has demonstrated a strong likelihood of success on the merits in its petition for review of the ID where it pointed out errors it believes were made by the ALJ in deciding the repair/reconstruction issue. Dynatec submits that the likelihood of success factor supports and justifies a stay because the repair/reconstruction issue is an issue of law that the Federal Circuit will review *de novo*, and because "when harm to the applicant is great enough, a court will not require a 'strong showing' that the applicant is 'likely to succeed on the merits.'" *Standard Havens*, 897 F.2d at 513.

Only Jazz contends that it will be irreparably harmed unless the Commission stays its remedial orders pending appeal, arguing that if the exclusion order is not stayed, its business is likely to become "extinct." It notes that in *Standard Havens*, the Federal Circuit found that a movant demonstrates irreparable harm where enforcement of an order pending appeal would result in employee layoffs, immediate insolvency, and possible extinction. *Standard Havens*, 897 F.2d at 515.

Jazz argues that the harm to Fuji if a stay were granted cannot be considered irreparable since Fuji's own witnesses testified that Fuji has been aware of the reloading activity since the early 1990s. Given that fact, Jazz argues that a stay pending appeal would not substantially harm Fuji. Respondent Dynatech similarly submits that a stay is justified in this case because Fuji admitted that it knew that its cameras were being reloaded years ago. Since Fuji delayed for years before bringing this action, and allowed the reloading industry to grow, Dynatech argues, Fuji should not be heard to complain that the period of appeal will result in any significant prejudice.

OptiColor's submission on remedy argues that there would be no significant injury to Fuji if the orders are not imposed before Federal Circuit review of the Commission's determination and that Fuji's own conduct is incompatible with any claim that it will be significantly harmed if the sale of recycled LFFPs is not immediately halted. OptiColor states that Fuji has watched the recycled LFFP industry grow to major size and significance since 1992, but took no legal action to stop it until 1998. OptiColor observes that since the reloading industry began, there has been steady growth in the volume of recycled LFFPs, [ ].

Jazz argues that the public has become accustomed to a choice between new LFFPs and lower-priced used LFFPs, both of which have been available for nearly ten years. It contends that since Fuji allowed the remanufacturing to go on for so long, thousands of U.S. jobs are at stake. Thus, Jazz contends that the public interest will be harmed by excluding the remanufactured LFFPs before the Federal Circuit can consider the issue on the merits. It also argues that the public interest in preserving the environment is served by allowing the remanufacturers to continue to recycle used LFFPS. Dynatech argues that the public interest is served by allowing consumers an opportunity to purchase legally repaired items.

We deny respondents' requests for a stay of the Commission's remedial orders pending appeal to the Federal Circuit. Such a stay would be unprecedented and unwarranted under the *Standard Havens* analysis, which the Commission adopted in *Tractors*. Respondents have failed to demonstrate that there is "an admittedly difficult legal question" involved in this investigation. As indicated by the Commission's decision not to review the ALJ's finding on the repair/reconstruction issue, we believe that the ALJ's decision on that issue is correct. The ALJ's determination on repair/reconstruction is based on two leading decisions by the Federal Circuit, *Sandvik Aktiebolag v. E.J. Company*, 121

F.3d 669, 673 (Fed. Cir. 1997), *cert. denied*, __ U.S. __, 118 S.Ct. 1337 (1998); *Hewlett-Packard v. Repeat-O-Type*, 123 F.3d 1445, 1452 (Fed. Cir. 1997), *cert. denied*, __ U.S. __, 118 S.Ct. 1304 (1998). Those cases, as well as earlier Supreme Court precedent, were considered by the ALJ who found that the *facts* of this investigation are more closely akin to reconstruction cases like *Sandvik* than to repair cases like *Hewlett-Packard*. Although resolution of the repair/reconstruction issue presents a question of law that the Federal Circuit will review *de novo*, *Sandvik*, 121 F.3d at 672, its resolution is highly dependent on the facts of the particular case.

As for the irreparable harm factor, only Jazz contended that it would be irreparably harmed, absent a stay pending appeal. However, Jazz cited no evidence to support its assertion that it would become "extinct" during the appeal process. While Jazz claims that thousands of jobs will be lost, it has cited no evidence to support its statement. We note that the imported LFFPs are manufactured or remanufactured in Asia and that the domestic respondents' sales and warehousing operations require relatively few employees. Moreover, the domestic respondents may be able to continue their operations, if they wish, with non-infringing goods.

Opticolor's submission [ ]. Fuji has suffered the loss of these sales, and has also suffered from price erosion caused by respondents' lower-priced LFFPs. We reject respondents' argument that a stay will not cause significant harm to Fuji because of Fuji's purported delay in seeking relief from imported LFFPs. Rather, Fuji will be irreparably injured by a stay that denies its patents the full term to which they are entitled. *See Tractors Opinion Denying Motion for Relief Pending Appeal Tractors* at 16 ("[a] stay pending appeal prejudices the complainant by depriving it, in this case potentially for a year or more, of the relief to which it is statutorily entitled under section 337").

The public interest generally favors the protection of intellectual property rights. *Id.* at 17 (citing and quoting from S. Rep. No. 100-71 at 128-29 (1987)). The fact that a large number of suppliers and dealers have been successful in the businesses of importing and selling cheap, infringing remanufactured LFFPs does not outweigh the public interest in protecting the intellectual property rights that are being infringed by those goods. While respondents argue that recycling activities benefit the public, their argument does not compel a finding that the public policy favoring recycling should override the public policy favoring protection of intellectual property rights. In any case, Fuji and its licensees recycle LFFP parts in the United States, and respondents fail to explain why their suppliers' recycling activities, which take place in Asia, are more in keeping with the public interest than the recycling efforts of Fuji and its licensees. Furthermore, the remedial orders are directed to new infringing LFFPs, as well as remanufactured LFFPs.

PSI asserts that the unique nature of its "Message Camera," which uses double image film to present messages such as "Happy Birthday" along the bottoms of developed photographs, justifies a six month postponement in the enforcement of the cease and desist order against its products. Because the "Message Camera" is an occasional novelty item, most often sold in speciality retail stores such as party and card stores, PSI submits that it does not directly compete with Fuji's or its licensees' traditional single-use cameras, and that allowing PSI to deplete its current inventory will have a *de minimis* effect on Fuji and its licensees. PSI maintains that its request is fair given that there are other single use camera distributors in the United States that were not named as respondents in this investigation by Fuji, and therefore will not be subject to specific cease and desist orders. It argues that continued sales by such nonrespondent companies will more significantly affect Fuji's market share than any transitional depletion of non-competing cameras by PSI.

We reject PSI's argument that its Message Camera does not compete with Fuji's products. As Fuji points out, if a consumer buys a "Message Camera," he is in fact choosing not to buy a "traditional" single use camera. More importantly, allowing a transitional period to deplete inventory is contrary to the Commission's policy of issuing cease and desist orders to prevent sales from inventory. Providing a transitional period to deplete inventory may also encourage respondents to import heavily during the period of Commission investigations. Respondents have been on notice since at least the filing of the ALJ's RD on February 24, 1999, that the issuance of remedial orders was a distinct possibility. Respondents could have taken protective steps to avoid having large inventories. *See Tractors Opinion Denying Motion for Relief Pending Appeal Tractors*, at 14 n.7.

C. The Public Interest

Under sections 337(d) and (f), the Commission must provide a remedy if it has found a violation of section 337 unless, after considering the effect of any remedy on (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) the U.S. production of articles that are like or directly competitive with those which are the subject of the investigation, and (4) U.S. consumers, it finds that a remedy should not be issued. 19 U.S.C. §§ 1337(e) and (f). There have been only three investigations in which consideration of the public interest factors has prevented issuance of a remedy. The Commission denied relief in *Certain Automatic Crankpin Grinders*, Inv. No. 337-TA-60, USITC Pub. 1022 (1979), because it found an overriding national policy in maintaining and increasing the supply of fuel efficient automobiles and that the domestic industry was unable to supply domestic demand. In *Certain Inclined Field Acceleration Tubes*, Inv. No. 37-TA-67, USITC Pub. 1119 (1980), the Commission denied relief because of the overriding public interest in continuing basic atomic research with the imported

acceleration tubes, which were deemed to be of higher quality than the domestic industry's product. In *Certain Fluidized Supporting Apparatus*, Inv. No. 337-TA-182/188, USITC Pub. 1667 (1984), relief was denied because the domestic producer could not supply demand for hospital beds for burn patients within a reasonable time, and there were no therapeutically comparable substitutes available.

We do not believe that respondents have raised any public interest concerns that should prevent the issuance of remedial orders in this investigation. We do not find that the general health and welfare are implicated in the distribution of LFFPs, and there is no evidence that the U.S. demand for LFFPs could not be supplied by Fuji or its licensees. The fact that some retailers and consumers may have to pay a higher price for LFFPs does not justify a determination that the public interest in protecting intellectual property rights is in any way outweighed. *See, e.g., Certain Telecommunications Chips*, USITC Inv. No. 337-TA-337, Comm'n Op. at 40-41, USITC Pub. 2670 (August 1993); *Cefadroxil* at 40-41, USITC Pub. 2391 at 46-47.

B. Bonding

Section 337(j) provides for the entry of infringing articles and sales of such articles from inventory upon the payment of a bond during the 60-day Presidential review period. The bond is to be set at a level sufficient to "protect complainant from any injury" during the Presidential review period. 19 U.S.C. § 1337(j). *See also* 19 C.F.R. § 210.50(a)(3) (1998). The ALJ found that the compilation of price information based on answers to interrogatories received from respondents as of October 27, 1998 (CX-830), indicated that the accused LFFPs have a wide price range. Evidence cited by the ALJ supports his finding. ID at 212-213. The ALJ found that, in view of the price variations, it was impossible to calculate what level of bond based on price differentials will protect complainant from any injury. Therefore, he

recommended a bond of 100 percent of entered value, citing *Magnets*, USITC Pub. No. 2964 at 15 (May 1996)("[where] it is impossible . . . to calculate what level of bond based on price differentials will protect a complainant from any injury, it is appropriate to issue a bond of 100 percent of entered value . . . of the goods in question"). We adopt the ALJ's recommendation that bond during the period of Presidential review be set at 100 percent of entered value as well as his findings in support of his recommendation.

We reject respondents' various proposals that the bond be a lump sum payment based upon a royalty rate Fuji receives from a particular licensee. We find that this royalty rate would not protect Fuji from "any injury." Moreover, since the record contains adequate pricing information, we see no reason to resort to royalty rates in setting the bond rate. *Cf. Acid-Washed Denim Garments and Accessories*, Inv. No. 337-TA-324 (1992) (bond rate based on royalty rate where complainant did not object, and the record did not contain adequate pricing information). In any case, a lump sum bond is inappropriate where there is no way of knowing what the volume of infringing importations and sales will be during the 60-day Presidential review period. We also reject Fuji's proposal that bond be set at 300 percent. That proposal is apparently based on the lowest reported sales prices for infringing LFFPs.

APPENDIX C

PUBLIC VERSION

UNITED STATES INTERNATIONAL
TRADE COMMISSION
Washington, D.C.

[Filed Mar. 23, 1999]

Investigation No. 337-TA-406

In the Matter of
CERTAIN LENS-FITTED FILM PACKAGES

[Cover Page; Abbreviations; Sections I-IV, VII, XII-XIII; Additional Findings ¶¶ 1-5, 20-21, 29-31, 36-37, 54-78; Conclusions of Law]

Final Initial and Recommended Determinations

Pursuant to the Notice of Investigation (63 Fed. Reg. 14474, 14475), this is the administrative law judge's final initial determination, under Commission rule 210.42. The administrative law judge, after a review of the record developed, finds that a violation of section 337 of the Tariff Act of 1930, as amended (19 U.S.C. § 1337) by certain respondents has occurred.

This is also the administrative law judge's recommended determination on remedy and bonding, pursuant to Commission rule 210.42(a)(1)(ii). The administrative law judge recommends that the Commission issue cease and desist orders directed to certain domestic respondents and a general exclusion order and further recommends a bond of 100% of entered value during Presidential review.

* * * *

[from *Final Initial and Recommended Determinations* pp. viii-x, 1-5]

ABBREVIATIONS

ABr	Respondent Achiever Post Hearing Brief
ARBr	Respondent Achiever Post Hearing Rebuttal Brief
JOBr	Respondents' Jazz & OptiColor Posthearing Brief
JORBr	Respondents' Jazz & OptiColor Rebuttal Brief
CBr	Complainant's Posthearing Brief
CFF	Complainant's Finding Of Fact
CRBr	Complainant's Posthearing Rebuttal Brief
FF	Administrative Law Judge's Findings Of Fact
SBr	Staff's Posthearing Brief
SRBr	Staff's Rebuttal Posthearing Brief
DBr	Respondent Dynatec's Posthearing Brief
DRBr	Respondent Dynatec's Posthearing Rebuttal Brief
ACSBr	Respondents' Argus, Sakar, and ChinaFilm Post Hearing Brief
ACSRBr	Respondents' Argus, Sakar & ChinaFilm Post Hearing Rebuttal Brief
PSIBr	Respondent PSI Post Hearing Brief
SX	Staff Exhibit
CX	Complainant Exhibit
CPX	Complainant Physical Exhibit
RXPSI	Respondent PSI Exhibit

RPXPSI	Respondent PSI Physical Exhibit
RXACH	Respondent Achiever Exhibit
RPXACH	Respondent Achiever Physical Exhibit
ROCX	Respondent Opticolor Exhibit
PROCX	Respondent Opticolor Physical Exhibit
RDYNA	Respondent Dynatec Exhibit
RPDYNA	Respondent Dynatec Physical Exhibit
RJZX	Respondent Jazz Exhibit
RPJZX	Respondent Jazz Physical Exhibit
Tr.	Transcript Of Prehearing Conference, Hearing And Closing Arguments
DFF	Respondent Dynatec's Finding of Fact
DOCFF	Respondent Dynatec's Objections to Complainant's Findings of Fact
CORDFF	Complainant Fuji's Objections to Respondent Dynatec's Finding of Fact
DOSFF	Respondent Dynatec's Objections to Staff Findings of Fact
CRRDFF	Complainant Fuji's Rebuttal to Respondent Dynatec's Finding of Fact
AFF	Respondent Achiever's Finding of Fact
AOCFF	Respondent Achiever's Objections to Complainant's Finding of Fact
RJOFF (RJFF)	Respondents Jazz and OptiColor's Finding of Fact
JORCFF	Respondents Jazz & OptiColor's Rebuttal to Complainant's Findings of Fact

CORJFF	Complainant Fuji's Objections to Respondent Jazz and OptiColor's Finding of Fact
JORSFF	Respondent Jazz & OptiColor's Rebutal to Staff's Findings of Fact
CRRJFF	Complainant Fuji's Rebuttal to Respondent Jazz and OptiColor's Finding of Fact
RJCL	Respondents Jazz and OptiColor's Conclusions of Law
RSFF	Respondents Sakar, Argus and China Film's Finding of Fact

OPINION

I. PROCEDURAL HISTORY

By notice of investigation, which issued on March 18, 1998 and was published in the Federal Register on March 25, 1998 (63 Fed. Reg. 14474, 14475), the Commission instituted an investigation, pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, to determine whether there is a violation of subsection (a)(1)(B) of section 337 in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain lens-fitted film packages by reason of infringement of certain claims of certain patents, and whether there exists an industry in the United States as required by subsection (a)(2) of section 337. The complaint was filed on February 13, 1998, under section 337 of the Tariff Act of 1930, as amended, on behalf of Fuji Photo Film Co., Ltd. (Fuji) of Tokyo, Japan. A supplement to the complaint was filed on March 2, 1998.

Order No. 3, which issued on April 16, 1998, set a target date of March 25, 1999. Order No. 11, which issued on August 20, 1998, set a new target date of May 25, 1999.

The claims in issue from fifteen patents owned by complainant (FF 54) were identified in the notice of investigation as follows:

(1) claims 1, 5, 6, 9, or 11 of U.S. Letters Patent 4,833,495 (the '495 patent);

(2) claims 14 or 15 of U.S. Letters Patent 4,855,774 (the '774 patent);

(3) claims 1, 7, 8, or 15 of U.S. Letters Patent 4,884,087 (the '087 patent);

(4) claims 1, 19, and 22 of U.S. Letters Patent 4,954,857 (the '857 patent);

(5) claims 1 or 9 of U.S. Letters Patent 4,972,649 (the '649 patent);

(6) claims 14 or 16 of U.S. Letters Patent 5,063,400 (the '400 patent);[1]

(7) claims 1 or 11 or U.S. Letters Patent 5,235,364 (the '364 patent);

(8) claim 1 of U.S. Letters Patent 5,361,111 (the '111 patent);

(9) claims 1, 15, 23, or 25 of U.S. Letters Patent 5,381,200 (the '200 patent);

(10) claims 1 or 7 of U.S. Letters Patent 5,408,288 (the '288 patent);

(11) claims 1 or 28 of U.S. Letters Patent 5,436,685 (the '685 patent);

(12) claims 1 or 13 of U.S. Letters Patent Re 34,168 (the Re '168 patent);

---

[1] Order No. 47 which issued on November 9, 1998 was an initial determination which granted complainant's oral motion to withdraw claim 16 of the '400 patent. By notice dated December 4, the Commission determined not to review said initial determination.

(13) the claim of U.S. Letters Patent Des. 345,750 (the '750 patent);

(14) the claim of U.S. Letters Patent Des. 356,101 (the '101 patent); or

(15) the claim of U.S. Letters Patent Des. 372,722 (the '722 patent)

The respondents identified in the notice were the following: Achiever Industries Limited (Achiever) of Hong Kong; Ad-Tek Specialities Inc. (Ad-Tek) of California; AmerImage, Inc. d/b/a Rainbow Products (Rainbow) of Florida, Argus Industries (Argus) of Illinois, Boecks Camera LLC (Boecks) of California, Boshi Technology Ltd. (Boshi) of Hong Kong, BPS Marketing (BPS) of Washington State, China Film Equipment Corp. (China Film) of China, Dynatec International, Inc. (Dynatec) of Utah, E.T.Trading, Ltd. d/b/a Klikit (Klikit) of Brooklyn, New York, Fast Shot (Fast Shot) of Texas, Forcecam, Inc. (Forcecam) of California, Haichi International Inc. (Haichi) of New York, Innovative Trading Co. (Innovative) of California, Jazz Photo Corp. (Jazz) of New Jersey, Labelle Time, Inc. (Labelle) of Florida, Linfa Photographic Ind. Co. Ltd. (Linfa) of Hong Kong, Opticam Inc. (Opticam) of California[2], OptiColor Camera (OptiColor) of Washington State, Penmax, Inc. (Penmax) of California, PhilmEx Photographic Film (PhilmEx) of California, P.S.I. Industries, Inc. (PSI) of Florida, Rino Trading Co., Ltd. (Rino) of Korea, Sakar International, Inc. (Sakar) of New Jersey, T.D.A. Trading Corp. (T.D.A.) of New York, Vantage Sales, Inc. (Vantage) of Illinois, and Vivitar Corp. (Vivitar) of California.

---

[2] While Opticam is referred to in the notice of investigation and complaint, complainant at closing argument (Tr. at 4073 to 4075) admitted that Opticam is not violating section 337. As the notice indicated, with the exception of Opticam, there are twenty one domestic respondents of the twenty-six identified respondents.

The notice of investigation did not identify which respondent is alleged to infringe which patent in issue. Moreover while the notice identified fifteen patents in issue and twenty-six respondents, excluding Opticam, the allegations of complainant in the complaint were not coextensive with each of the respondents. For example while the notice identifies claims 1, 7, 8 or 15 of the '087 patent to be in issue, respondents Ad-Tek, AmerImage, Boecks, BSP, China Film, Fast Shot, Forcecam, Innovative, Labelle, Linfa, Penmax, PhilmEx, Rino, Sakar, T.D.A. and Vantage are alleged to infringe only claims 1 and 8. Respondent PSI is alleged to infringe only claims 1, 7 and 15. Respondents Achiever and Vivitar are alleged to infringe only claims 7 and 15. Respondents Argus, Boshi, Dynatec, E.T. Trading, Haichi, Jazz and Opticolor are alleged to infringe claims 1, 7, 8 and 15.

Only respondents Achiever, Argus, China Film, Dynatec, Jazz, OptiColor, PSI and Sakar participated in the hearing. The following respondents, while not participating in the hearing, did file a response to the complaint and notice of investigation: Ad-Tek, Rainbow, Boecks, BPS, Klikit, Penmax, PhilmEx, T.D.A., Vantage and Vivitar.

Respondents Boshi, Fast Shot, Haichi, Innovative, Labelle, Linfa, Forcecam and Rino filed no response to the complaint and notice of investigation. Order No. 23, which issued on September 25, 1998, was an initial determination and found Boshi, Fast Shot, Haichi, Innovative, Labelle and Linfa in default pursuant to Commission rule 210.16. Order No. 24, which also issued on September 25, found Forcecam and Rino in default pursuant to Commission rule 210.16. On October 23, the Commission determined not to review Order Nos. 23 and 24.

The prehearing conference and hearing were conducted on November 2, 3, 4, 5, 6, 7, 9, 10, 11, 12 and 13, 1998. Following the filing of post-hearing submissions, closing arguments were heard on January 8, 1999.

The matter is now ready for a decision.

These initial and recommended determinations are based on the record compiled at the hearing and the exhibits admitted into evidence. The administrative law judge has also taken into account his observation of the witnesses who appeared before him during the hearing. Proposed findings submitted by the parties not herein adopted, in the form submitted or in substance, are rejected as either not supported by the evidence or as involving immaterial matter and/or as irrelevant. The findings of fact included herein have references to supporting evidence in the record. Such references are intended to serve as guides to the testimony and exhibits supporting the findings of fact. They do not necessarily represent complete summaries of the evidence supporting said findings.

II. PRODUCTS IN ISSUE

The products in issue are single use cameras, also known as "lens-fitted film packages" or "LFFPs." (FF 1).[3] Single use cameras are relatively inexpensive, disposable cameras which are pre-loaded with film and a film cartridge so that after use, all of the film has been advanced into the film cartridge. (FF 1).

III. PARTIES

See FF 6-53.

IV. IMPORTATION

Each of the respondents that appeared at the hearing admitted importation of the accused LFFPs into the United States. (SX-3). Also there is evidence that respondents are involved in the importation of accused LFFPs into the United

---

[3] The terms "LFFP," single use cameras and one-time-use cameras are used interchangeably in the initial and recommended determinations.

States. (*See* FF 6-53). Thus the Commission has *in rem* jurisdiction. It also has *in personam* jurisdiction over at least respondents Achiever, Argus, China Film, Dynatec, Jazz, OptiColor, PSI and Sakar who participated at the hearing.

* * * *

[from *Final Initial and Recommended Determinations* pp. 95-165]

VII. Repair-Reconstruction Issue Involving Alleged "Re-manufactured" Single Use Cameras

Respondents Jazz and OptiColor argued that the "most important issue in this proceeding is the repair versus reconstruction issue." (JOBr at 2). Respondent Dynatec argued that the "legal issue presented in this case focuses on a determination as to whether Dynatec's FunPack cameras are repaired or reconstructed under governing legal authority." (DBr at 3). Respondents Argus, China Film and Sakar argued that the "principal focus in this case is on recycled, reconditioned lens-fitted film packages ('LFFP') devices sold into national and international commerce." (ACSBr at 3).[33] Thus respondents appearing at the hearing, with the exception of respondent Achiever, have raised the defense of permissible repair in response to complainant's allegation of infringement as to the "remanufactured" single use cameras.

The doctrine of permissible repair is an affirmative defense, *see Dana Corporation v. American Precision Company*, 827 F.2d 755, 758 (Fed. Cir. 1987). The party asserting an affirmative defense must prove the facts that establish that defense by clear and convincing evidence, *see*

[33] For PSI's reloaded SmileTime cameras, PSI adopts the arguments and authorities "set forth by co-respondents in support of a determination of non-infringement under the first sale doctrine and by virtue of permissible repair." (PSIBr at 1).

RCA Corp. v. Applied Digital Data Sys. Inc., 221 U.S.P.Q. 385, 387 (Fed. Cir. 1984); *see also Symbols Techs v. Opticon, Inc.*, 935 F.2d 1569, 1580 (Fed. Cir. 1991). Thus, respondents involved in the alleged "remanufacture" have the burden to prove by clear and convincing evidence that their actions are a permissible repair rather than an impermissible reconstruction.

Respondents Jazz and OptiColor argued, in support of their affirmative defense of permissible repair, that Jazz and OptiColor, as subsequent owners of the product, have an implied license to use the product and that the implied license includes the right to repair the patented product (JOBr at 24-31); that the evidence shows that the "reconditioning" processes used by Jazz and OptiColor do not amount to a second creation of a single use camera but rather shows that the accused processes are a permissible repair; that a single use camera has a useful life beyond one roll of film; that the accused processes are simple, quick, and involve relatively few steps; and that the nature and design of the single use camera supports a finding that the actions of respondents involved in the alleged "remanufacture" are a permissible repair. (JOBr at 47-93).

Respondent Dynatec, in support of its affirmative defense of permissible repair, argued that complainant sold its single use cameras without any contractual limitation and thus is precluded from preventing the "legal repair" and subsequent resale of the single use cameras (DBr at 7); that the single use cameras have a useable life remaining after certain limited elements are spent; that a finding of reconstruction cannot be based upon a change in the patented combination's performance or capacity; that allegations of the low quality condition of repaired products does not establish reconstruction; that complainant has acknowledged the repairability of its single use cameras; that Dynatec's process of disassembly, replacement, and modification of elements of a

single use camera and subsequent reassembly constitutes permissible repair; and that "remanufacturing" the previously used single use camera "according to the patentee's instructions or procedures" constitutes permissible repair. (DBr at 7-39).[34]

Respondents Argus, China Film and Sakar in support of the affirmative defense of permissible repair argued that they have an implied license to use the single use cameras and this license includes the right to repair the single use camera (ACSBr at 6); that their processes are inexpensive, efficient and make no substantial changes to the single use camera; and that their processes are a permissible repair rather than a reconstruction. (ACSBr at 6-7).

Complainant argued that no respondent or its suppliers have any license, express or implied, to do anything, much less reconstruct the single use cameras (CBr 103-122); that the nature of the actions of the respondents involved in the alleged "remanufacture" support a finding that their processes involve an impermissible reconstruction; that the nature of the single use camera and how it was designed support a finding that the alleged "remanufacture" is not a permissible repair; that the fact that no market for spare parts for single use cameras has developed supports the finding that the alleged "remanufacture" is impermissible reconstruction; and that the intent of complainant supports a finding that the alleged "remanufacture" in issue is impermissible reconstruction of the single use cameras. (CBr at 122-134).[35]

---

[34] The term "according to the patentee's instructions or procedures" is in the subheading for section e (DBr at 16). The administrative law judge finds nothing in section e (DBr at 16 to 20) which explains the phrase "according to the patentee's instructions or procedures."

[35] Complainant is the owner by assignment of the patents in issue. (FF 54).

The staff argued that when complainant and its licensees sell a single use camera, each end user acquires a license to use the product until it is spent, and that the single use camera is spent when the original roll of film is exposed (SBr at 48); that the actions of the respondents involved in the alleged "remanufacture" in reconditioning and reloading spent single use cameras constitute the making of a new article, or reconstruction, rather than the repair of an unspent article; and that the fact that the complainant did not intend for its products to be reloaded is a factor tending to prove that the alleged "remanufacture" processes are infringing reconstruction. (SBr at 46-55).

On August 12, 1997, the Federal Circuit decided *Hewlett-Packard Company v. Repeat-O-Type Stencil* 123 F.3d 1445 (Fed. Cir. 1997), *cert denied*, 118 S. Ct. 1304 (1998) (*Hewlett*). In *Hewlett*, the Court concluded that while there is no bright-line test for determining whether a modification is a "reconstruction" sufficient to infringe a patent owned by the seller of a product, the district court did not err in granting the motion of the accused infringer Repeat-O-Type Stencil (ROT) for summary judgement of non-infringement of certain patents of Hewlett-Packard Company (HP). It found that HP sold ink jet cartridges without condition or restriction; that ROT lawfully purchased two types of HP *brand new* ink jet cartridges model HP 516525A (known within HP as the "Kukla" cartridge) and model HP 51608A (known within HP as the "Stanley" cartridge) and disregarding HP's instructions the purchaser ROT modified them; and that the modification was more akin to permissible repair than to impermissible reconstruction. *Hewlett* 123 F.3d at 1451, 1452, 1454.

On August 7, 1997, the Federal Circuit, five days prior to its decision in *Hewlett*, decided *Sandvik Aktiebolag v. E.J. Company et. al* 121 F.3d 669 (Fed. Cir. 1997), *cert denied*,

118 S. Ct. 1337 (1998) (*Sandvik*). The Court referred to a number of factors to consider in determining whether a party has made a "new" article. Those factors included

a. the nature of the actions by the alleged infringer;

b. the nature of the device and how it is designed (namely, whether one of the components of the patented combination has a shorter useful life than the whole);

c. whether a market has developed to manufacture or service "the part at issue"; and

d. objective evidence of the intent of the patentee.[36]

Sandvik 121F.3d at 673. The Court concluded that, while there is no bright line test for determining whether reconstruction or repair has occurred, under "the totality of the circumstances" and based on all the facts in the case the alleged infringer E.J. Company (E.J.) had made a new article, after the device in issue had become spent, *i.e.*, E.J. was reconstructing an otherwise spent device when "it retips Sandvik's drills" and accordingly that E.J. infringed the patents in issue *Sandvik* 121 F.3d at 673, 674.

A. The *Sandvik* Factors

1. The Nature Of The Actions By The Infringers

In each of *Hewlett* and *Sandvik*, pertinent to the conclusions of the Court was the claimed subject matter in issue *and* the nature of the actions of the accused infringers. In the repair-reconstruction portion of *Hewlett*, the Court focused on U.S. Patent Nos. 4,827,294 (the '294 patent) and 4,931,811 (the '811 patent). The '294 patent, entitled

---

[36] In setting forth these factors the Court concluded that an analysis under those factors would be consistent with the Supreme Court's holding in *Aro Mfg. Co. v. Convertible Top Replacement Co.* 365 U.S. 336 (1961). 121 F.3d at 673.

"Thermal Ink Jet Printhead Assembly Employing Beam Lead Interconnect Circuit," was directed to an "ink jet pen" (*i.e.*, a cartridge), which formed an improved electrical connection between the printhead of the pen and the ink jet printer carriage in which the pen is mounted.

Claim 3 of the '294 patent, which was representative, read as follows:

> An ink jet pen including in combination:
>
> (a) a pen body housing having an ink storage compartment therein and an ink flow port adjacent one surface thereof and further having outer surfaces thereof and further having out surfaces which are contoured to mate with adjacent surfaces of a pen carriage member,
>
> (b) a thin film printhead mounted on said one surface of said pen body housing and adjacent to said ink flow port therein for receiving ink from said ink flow port during an ink jet printing operating, and
>
> (c) a flexible electrical circuit member including a plurality of beam leads bonded at predetermined locations on said thin film printhead for supplying electrical power and signals thereto during an ink jet printing operation, said flexible electrical circuit being extended over one of said contoured outer surfaces of said pen body housing and secured thereto, whereby electrical conductors in a pen carriage are adapted to mate with certain ones of the said been leads of said flexible electrical circuit for supplying power and electrical drive signals to said beam leads when said pen body housing is mounted in said carriage.

The '811 patent, entitled "Thermal Ink Jet Pen Having A Feedtube With Improved Sizing And Operational With A Minimum Of Depriming," was directed to an "ink jet pen" that uses a "standpipe" to improve the connection between

the ink reservoir and the printhead by preventing air bubbles from impeding the flow of ink to the printhead.[37] Claim 2 of the '811 patent, which was representative, read as follows:

> 2. A thermal ink jet pen including an ink reservoir therein, and a thin film printhead interconnected to said reservoir by way of a standpipe, with said standpipe having an air accumulating section at the ink receiving end thereof and said thin film printhead including an orifice plate with a plurality of orifi therein of a know radius, r subnozzle characterized in that the minimum acceptable radius, r, of said air accumulating section of said standpipe satisfies the equation r/r/ subnozzle $100.

Hewlett, 123 F.d at 1447, 1448. The Court, for interpretation of claim 3 of the '294 patent and claim 2 of the '811 patent, made reference to the following diagram, from the '811 patent:

[insert diagram]

The Court then stated that as illustrated in the above diagram the pen body construction includes a pen body housing (10) and a cap (28); that the pen body also includes a foam storage material (12) which serves as the ink reservoir, a standpipe formed by walls (20) and (22), and a printhead (18); and that the cap (28) has an air vent tube (30) for supplying air to the ink reservoir as ink is transferred through the standpipe to the printhead. 123 F.3d at 1448.

In *Hewlett*, ROT described its cartridge modification in its own patent, U.S. Patent 5,408,256 ('256 patent), entitled "Refillable Color Ink Jet Cartridge And Methods For Making Said Cartridge:"

> A non-refillable color ink jet cartridge such as the Hewlett-Packard #51625A can be converted into a

[37] The presence of the standpipe differentiates the claimed invention of the '811 patent over the claimed invention of the '294 patent.

> refillable cartridge. The upper portion of this cartridge contains the three air vent/ink has refill holes, and this upper portion has a plastic cap capable of being removed. After placing the body of the plastic cartridge on a suitable support such as, for example, the edge of a table, the protective plastic cap covering the upper portion of the cartridge can be removed by prying it off of a cartridge with a sharp instrument such as a knife.
>
> . . .
>
> The upper protective cap [26] can now be modified so that it can be placed snugly back onto the main cartridge body [12] as often as is necessary to replenish depleted ink supplies. A variety of methods can be employed to do this, including placing two adhesive backed pads [36 and 38] at both sides of the longitudinal length of the upper protective cap.

'256 Patent, col. 1, line 56 to col. 2, line 18. ROT sold the modified refillable ink jet cartridges in kits which also contained bottles of refillable ink. The refillable ink was not manufactured or supplied by HP. In addition to modifying the cartridges, ROT replaced the black ink of HP's Stanley cartridges with a variety of color inks and resold them as color cartridges. 123 F.3d at 1449.

Referring to ROT's modification, and as seen by the '256 patent, ROT first removed the cap 28 with a sharp instrument such as a knife and then, when HP Stanley cartridges were

bought, replaced the black ink of the cartridges.[38] Thereafter ROT modified cap 28 so that it could be placed snugly back onto the new cartridge as necessary, *i.e.*, the cap was made removable and replaceable so that the new cartridge could be refilled with ink numerous times.[39] [40] Significantly in matching ROT's accused process, which the Court found to be akin to permissible repair rather than to impermissible reconstruction, to the claims in issue of the '294 patent and the '811 patent, ROT did not replace any elements specifically recited in the claims in issue.[41] Moreover in *Hewlett* ROT was the *original* purchaser of a *new* cartridge.

In *Sandvik*, the patents in suit were directed to a drill with a shank portion and a unique carbide tip geometry that had specially configured cutting edges which resulted in a drill suitable for high-feed machining with improved cutting ability especially at its center portion, although the unique carbide drill tip was not separately patented. In issue in

---

[38] The Court pointed out that while the cap was not explicitly recited in the claims in issue of the '294 and '811 patents it agreed with HP that the claims relate to ink jet cartridges, not to specific components within the cartridges; that the preamble of claim 3 of the '294 patent and claim 2 of the '811 patent clearly stated that the claims relates to an "ink jet pen including" the recited limitations; that the claim term "including" is synonymous with "comprising", thereby permitting the inclusion of unnamed components *Hewlett* 123 F.3d at 1450, 1451. However the Court later stated that "ROT does not replace any of the elements recited in the claims; the housing, printhead, standpipe, ink reservoir, and flexible strip are all original components of the purchased cartridges" and that "[u]sing the original housing, ROT only changes the way in which the cap of an unused, new cartridge is connected to the remainder of the cartridge" *Id.*

[39] While ROT may refill the ink reservoir with ink, the ink is not recited in the claims in issue.

[40] ROT in its '256 patent taught that a variety of methods can be employed to modify the cap of the new cartridge.

[41] See fn. 38, *supra*.

Sandvik was U.S. Patent No. 4,222,690 (the '690 patent) (ALJ Ex. 1) and U.S. Patent No. 4,381,162 (the '162 patent). Claim 1 of the '690 patent provided:

> A drill comprising a pair of cutting edges each starting at the center of rotation of the drill and extending symmetrically with respect to said center and curved outwardly away from the direction of rotation of the drill with a greater curvature in the radial inner portion than in the outer peripheral portion of the drill when viewed from the bottom of the drill, each of the cutting edges being formed with a rake face starting at said center of rotation and having a rake angle approximately equal to zero at the radial inner portion of said rake face, said drill having formed in said twister groovers close to said starting end of each of the cutting edges to provide an increase in rake face at the inner radial portion of the cutting edge in the vicinity of said starting end of said cutting edge.

The '162 patent, a division of the '690 patent, described and claimed similar subject matter. For example, claim 1 of the '162 patent claimed a method of drilling a bore using a drill having "helical grooves and a pair of cutting edges having a rake face." *Sandvik* 121 F.3d at 670.

The Court reproduced the following Figures 1 and 2 of the '690 patent (ALJ Ex 1):

It then stated that the claimed drill of the '690 patent has a tip (1), a shank portion (2), twisted grooves (3), projections (4) with these projections bending and breaking the chips to render them smoothly removable and a conical end having a center point (11) at the apex of the cone and a pair of cutting edges 10; and that the drill shank (2) is made of medium carbon steel while the drill tip (1) is made of a more durable carbide and is brazed to the steel shank (2). *Sandvik* 121 F.3d at 671 to 673.

The Court in *Sandvik* observed that Sandvik manufactured a commercial embodiment of the patented drill which over time and use dulls and may require resharpening or regrinding; that Sandvik expected the drill tip to be resharpened, which was not contended as an infringement and in fact issued guidelines explaining how to resharpen the tip; that the accused infringer E.J. offered a drill repair service which included resharpening and retipping Sandvik drills; that E.J. retipped drills at the request of customers, who had purchased the drills from Sandvik, when the tips could not be sharpened; that according to E.J.'s vice-president some of E.J.'s customers elected not to have the drill retipped when it could not be sharpened any longer; and that Sandvik did not manufacture or sell replacement drill tips. *Id.*

While respondents Jazz and OptiColor in their initial post hearing submission argued that "*every element recited in the patented combination* [of the '690 patent] after the word 'comprising' in the preamble" (emphasis in original) was being made by E.J and that E.J. was "truly *making* the *entire patented combination* from a raw block of carbide," (JOBr at 12, 13), the facts are to the contrary. Thus, as the Court pointed out, while the drill shank (2) is made of medium carbon steel, the drill tip is made of a more durable carbide and is brazed to the steel shank. Moreover examination of

Figure 2 of the '690 patent shows that the drill shank while it is not part of the tip is represented by the following claimed phrase:

> said drill having twisted grooves [(3) which is part of shank 2] and means defining a cavity [cavities 6 and 7 of Figs 5 to 8 of the '690 patent] formed in said twisted grooves close to said starting end of each of the cutting edges to provide an increase in rake face at the inner radial portion of the cutting edge in the vicinity of said starting end of said cutting edge.

In addition and in further support that the tip made by E.J. was not the entire patented combination, the '690 patent (col. 2, lines 27-34) states:

> Each of the tips 1 is made for example from cemented carbide alloy in the form of a plate and attached to the conical end of the shank 2 by brazing, or any bolt as a throw-away piece. Instead of attaching the separate tips to the shank 2, the tips may be formed integrally with the shank 2.

As each of *Sandvik* and *Hewlett* made clear there is *no* bright line test for determining whether reconstruction or repair has occurred. Moreover, as is clear from a reading of *Sandvik* and *Hewlett*, any consideration of a reconstruction-repair issue is highly fact specific. Based on *Sandvik* and *Hewlett*, both of which cases the Supreme Court denied *cert* as reported in 118 S. Ct. 1337 (1998) and 118 S. Ct. 1304 (1998), it is at least necessary for the administrative law judge to look at the alleged "remanufacture" as it relates to the claimed subject matter in this investigation.

In each of *Sandvik* and *Hewlett* there was no dispute as to what was being done by the accused infringers. In this investigation there is a dispute as to what is being done by the accused infringers because complainant was barred from obtaining *full and free access* to the alleged "remanu-

facturing" factories of the respondents' suppliers. In addition there are admitted differences among the "remanufacturing" processes. Moreover there is a variety of original LFFPs which differ in construction. Compare *e.g.*, Fuji's Types 1 thru 4 LFFPs (CPX-137 to 144) and the Kodak Max (CPX-150) and the Kodak FunSaver 35. (CPX-149).

Despite the differences with respect to the original single use camera used in the alleged "remanufactures" and the differences in the various accused "remanufacturers" as well as complainant's inability to obtain full and free access to the suppliers' factories, respondents involved in the "remanufacture" have admitted that *every* element of the claims in issue of the '087, '495, '774, '857, '400, '168, '364, '111, '200, '288 and '685 utility patents are in the accused cameras. The administrative law judge has further found that complainant has met its burden in establishing that elements of the claims in issue of said utility patents are in the accused cameras as set forth in the infringement section VI A *supra*. However, as each of *Sandvik* and *Hewlett* has done, it is necessary to look at what the respondents are specifically doing in their alleged "remanufacturing" with respect to the claimed subject matter in issue. It is undisputed that said respondents are not buying new single use cameras and then performing actions on said new cameras which was done by the accused infringer in *Hewlett*. Rather, said respondents are using parts of single use cameras, which have been manufactured by Fuji and its licensees and which have already been used by the buyer of said cameras, to make single use cameras that are admittedly covered by claims in issue of the '087, '495, '774, '857, '400, '168, '364, '111, '200, '288 and '685 utility patents.

Although there are differences in the alleged "remanufacturing" processes when each of said processes is looked at, which differences the administrative law judge finds significant, respondents involved in the "remanufacturing" at

closing argument admitted to some common elements of said processes. Thus regarding the nature of those processes the staff, in its post hearing brief, argued:

> From the evidence of the various suppliers' reloading processes, some common elements can be derived that appear to occur during each process. These common steps (not necessarily in this order) are removing the cardboard cover, opening the LFFP body (usually by cutting at least one weld), replacing the winding wheel or modifying the film cartridge to be inserted, resetting the film counter, replacing the battery in flash LFFPs, winding new film out of a canister onto a spool or into a roll, resealing the LFFP body using tape and/or glue, and applying a new cardboard cover. The various suppliers apparently use different versions of the process, . . . most of which are more elaborate than the common elements of the basic process would suggest. All and all, however the Staff submits that to the extent the processes at issue differ, those differences are not significant with respect to the overall nature of the actions for purposes of determining the repair versus reconstruction issue . . . [SBr at 50-51].[42]

The respondents involved in the alleged "remanufacturing" at closing argument agreed with the staff's characterization. (Tr. at 4034, 4037, 4040).

Looking at only what respondents agreed to as the elements of the alleged "remanufacturing" processes, and looking at the claims in issue of the '087, '495, '774, '857, '400, '168, '364, '111, '200, '288 and '685 utility patents, the administrative law judge finds that the alleged "remanufacturing" processes are not comparable to what was done in

---

[42] The staff, at closing argument, represented that it was not intended in its post hearing brief to state that the details of the various accused processes were not significant. (Tr. at 4040).

Hewlett where the alleged infringer bought a claimed unused device and modified a cap on the device which cap was not specifically recited in the claims in issue. Rather the administrative law judge finds that the alleged "remanufacturing" processes are comparable to what the accused infringer did in *Sandvik*. This is shown by reference to illustrative claims of each of the '087, '495, '774, '857, '400, '168, '364, '111, '200, '288 and '685 utility patents.

The '087 patent

The administrative law judge finds that, with respect to claim 1 of the '087 patent (*see* claim interpretation section *supra*), the respondents in their process of "remanufacturing" Types 1-5 and 7-8A LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) assembling the light tight film casing which must be destroyed to open same through the assembly of the front and rear covers with the use of tape or glue, which results in the claimed element "a light tight film casing which must be destroyed to open same" (element 3 of claim 1 of the '087 patent *see* CX-732), (2) inserting an unexposed rolled film which results in the claimed element "an unexposed rolled film disposed on one side of said opening in said light tight casing" (element 5 of claim 1 of the '087 patent, *see* CX-732), (3) inserting a removable light tight container which results in the claimed element "a removable light tight film container" (element 6 of claim 1 of the '087 patent, *see* CX-732), (4) attaching one end of said rolled film to the film winding spool which results in the claimed element "one end of said rolled film being, attached to said film winding spool" (element 8 of claim 1 of the '087 patent, *see* CX-732), (5) replacing the winding wheel in certain instances, which results in the claimed element "means for winding said rolled film into said light tight film container and around said film winding spool" (element 9 of claim 1

of the '087 patent, *see* CX-732), (6) enabling the winding control means by resetting the frame counter which results in the claimed element:

winding control means responsive to operation of said externally operable member for allowing said film winding spool to rotate so as to enable said rolled film to be advanced by only one frame after every exposure; said winding control means including" (element 10 of claim 1 of the '087 patent, *see* CX-732)

and which also results in the claimed element:

a frame counter driven by said sprocket wheel, said frame counter being provided with indications designating a series of frame numbers and" (element 12 of claim 1 of the '087 patent, *see* CX-732)

and (7) that by resetting the counter the respondents also enable the means for disabling said winding control which results in the claimed element "means for disabling said winding control means responsive to said frame counter indicating there remains on said unexposed film no film frame capable of being exposed" (element 13 of claim 1 of the '087 patent, *see* CX-732).

The '495 patent

With respect to claim 1 of the '495 patent (*see* claim interpretation section *supra*), the respondents in their process of "remanufacturing" Type 1-5 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) assembling the light tight film casing which must be destroyed to open same through the assembly of front and rear covers with the use of glue or tape which results in the claimed element "which comprises a light tight film case which must be destroyed to open same" (element 4 of claim 1 of the '495 patent, *see* CX-730), (2) inserting a film roll into the LFFP shell which results in the claimed

element "a film in the form of a roll light tightly contained in said light tight film case" (element 5 of claim 1 of the '495 patent, *see* CX-730), and (3) inserting a film container into the LFFP shell which results in the claimed element "and a film container in which exposed film is wound" (element 6 of claim 1 of the '495 patent, *see* CX-730).

The '774 patent

With respect to claim 14 of the '774 patent (*see* claim interpretation section *supra*), the respondents in their process of "remanufacturing" Type 1-5 and 7-8A LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) assembling the light tight film casing through the assembly of front and rear covers with the use of glue or tape which results in the claimed element "a light tight film case" (element 2 of claim 14 of the '774 patent, *see* CX-731), and (2) inserting a film roll into the LFFP shell which results in the claimed element "and a rolled film" (element 4 of claim 14 of the '774 patent, *see* CX-731).

The '857 patent

With respect to claim 1 of the '857 patent (*see* claim interpretation section *supra*), the respondents in their process of "remanufacturing" Type 1-5 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) assembling the light tight film casing through the assembly of front and rear covers with the use of glue or tape which results in the claimed element "a light tight casing" (element 3 of claim 1 of the '857 patent, *see* CX-733), (2) inserting a roll of unexposed film into the LFFP shell which results in the claimed element:

a roll [of] unexposed film disposed on one side of said opening in an unexposed film roll receiving chamber in

said light tight casing with its outermost turn exposed to side walls of said chamber and its innermost turn surrounding an empty space; (element 5 of claim 1 of the '857 patent, *see* CX-733),

(3) inserting a light tight film container into the LFFP shell which results in the claimed element "a removable light tight film container" (element 6 of claim 1 of the '857 patent, *see* CX-733), (4) attaching one end of the rolled film to the film winding spool which results in the claimed element:

having a film winding spool therein disposed on the opposite side of said opening in said light tight film casing from said rolled film, one end of said rolled film being attached to said film winding spool (element 7 of claim 1 of the '857 patent, *see* CX-733),

(5) replacing the winding wheel, in certain instances, which results in the claimed element "means for winding said rolled film into said light-tight film container and around said film winding spool" (element 8 of claim 1 of the '857 patent, *see* CX-733) and (6) enabling the means for winding the rolled film by resetting the frame counter which results in the claimed element "means for winding said rolled film into said light tight container and around said film winding spool" (element 8 of claim 1 of the '857 patent, *see* CX-733).

The '400 patent

With respect to claim 14 of the '400 patent (*see* claim interpretation section *supra*), the respondents in their process of "remanufacturing" Type 1-5 and 7-7A LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) assembling a light tight film case through the assembly of front and rear covers by the use of tape or

glue which results in the claimed element "a light tight film case" (element 2 of claim 14 of the '400 patent, *see* CX-735) and which also results in the claimed element "and a rear case section which is securely fixed to the rear side of main case section and cannot be disassembled therefrom" (element 11 of claim 14 of the '400 patent, *see* CX-735), (2) inserting a light tight film cartridge into the LFFP shell which results in the claimed element "a separate empty light tight film cartridge having a spool therein rotatable about an axis of rotation" (element 4 of claim 14 of the '400 patent, *see* CX-735) and which also results in the claimed element "said film cartridge being enclosed in said light tight film case on one side of said lens" (element 5 of claim 14 of the '400 patent, *see* CX-735), and (3) inserting an unexposed rolled film with one end retained in the film cartridge into the LFFP shell which results in the claimed element "an unexposed rolled film with its one end retained on said spool in said film cartridge" (element 6 of claim 14 of the '400 patent, *see* CX-735) and which also results in the claimed element "said unexposed rolled film being disposed on the other side of said taking lens with its outermost turn in contact with said film case" (element 7 of claim 14 of the '400 patent, *see* CX-735).

The Re '168 patent

With respect to claim 1 of the '168 patent, the respondents in their process of "remanufacturing" Types 1-4 and 7-8A LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) opening the LFFP body which results in the claimed element "a main case section which is open at its front" (element 7 of claim 1 of the '168 patent, *see* CX-741), (2) inserting a roll of unexposed film which results in the claimed element "and containing light tightly said roll of unexposed photographic film" (element 10

of claim 1 of the '168 patent, *see* CX-741), and (3) reattaching the front cover section with tape or glue which results in the claimed element:

a front cover section which is attached to said main case section and closes said open front of said main case section to cover majority of said taking lens and said shutter means and said film transporting means (element 11 of claim 1 of the '168 patent, *see* CX-741).

The '364 patent

With respect to claim 1 of the '364 patent, the respondents in their process of "remanufacturing" Type 1-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) unwinding film from a film cassette and inserting the roll of film into the LFFP body which results in the claimed element:

a film roll chamber disposed on the opposite side of said taking lens from said cassette chamber, said film roll chamber being adapted to contain a roll of said film which is pulled out from a film cassette and wound in a roll (element 9 of claim 1 of the '364 patent, *see* CX-736),

(2) inserting the film cassette into the LFFP body which results in the claimed element "said cassette chamber containing said film cassette (element 10 of claim 1 of the '364 patent, *see* CX-736), (3) inserting a battery into the LFFP body which results in the claimed element "a battery for charging said main capacitor" (element 16 of claim 1 of the '364 patent, *see* CX-736) and which also results in the claimed element "said battery being disposed between said cassette chamber and said film roll chamber and extending in a horizontal direction below said taking lens" (element 17 of claim 1 of the '364 patent, *see* CX-736), (4) attaching

the front cover to the LFFP body with tape or glue which results in the claimed element "a front cover section attached to a front of said main body section" (element 18 of claim 1 of the '364 patent, *see* CX-736), and (5) attaching a rear cover to the LFFP body with tape or glue which results in the claimed element "a rear cover section attached to a rear of said main body section" (element 19 of claim 1 of the '364 patent, *see* CX-736).

The '111 patent

With respect to claim 1 of the '111 patent, the respondents in their process of "remanufacturing" Type 1-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) inserting a roll of film in the LFFP body which results in the claimed element "a lens fitted photographic film unit containing photographic film and being adapted to take photographs" (element 1 of claim 1 of the '111 patent, *see* CX-737).

The '200 patent

With respect to claim 1 of the '200 patent, the respondents in their process of "remanufacturing" Type 2-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) inserting a roll of film in the LFFP body which results in the claimed element "a lens fitted photographic film unit having a pre-loaded photographic film on which an image is formed" (element 1 and element 11 of claim 1 of the '200 patent, *see* CX-738).

The '685 patent

With respect to claim 1 of the '685 patent, the respondents in their process of "remanufacturing" Type 1-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film

package by (1) inserting film into the LFFP body which results in the claimed element "a film supplying chamber for containing unexposed photographic film" (element 3 of claim 1 of the '685 patent, *see* CX-740),(2) replacing the winding wheel, in certain instances, which results in "a film wind up wheel for winding up said film as exposed" (element 8 of claim 1 of the '685 patent, *see* CX-740), (3) enabling the film wind up wheel to function properly by resetting the frame counter which results in the claimed element "a film wind up wheel for winding up said film as exposed" (element 8 of claim 1 of the '685 patent, *see* CX-740), (4) enabling the wind up stopping mechanism by resetting the frame counter which results in the claimed element "a wind up stopping mechanism for preventing said wind up wheel from rotating after film is fed by one frame after each exposure by rotation of said wind up wheel" (element 9 of claim 1 of the '685 patent, *see* CX-740), and (5) attaching a front cover to the LFFP body with tape or glue which results in the claimed element "a front cover secured to said film containing unit in front of said photo taking unit" (element 14 of claim 1 of the '685 patent, *see* CX-740).

The '288 patent

With respect to claim 1 of the '288 patent, respondents Ad-Tek, Argus, Dynatec and Boshi, in their process of "remanufacturing" Type 1-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) makes a lens-fitted photographic film unit by (1) inserting a roll of film into the LFFP body which results in the claimed element "in which a body contains photographic film drawn out in a form of a roll" (element 2 of claim 1 of the '288 patent, *see* CX-739), and (2) modifying the film cassette, in certain instances, so that it mates

with the winding wheel, which results in the following claimed elements:

> a spool in said cassette and thereby said film is wound back into said cassette, said film unit comprising (element 3 of claim 1 of the '288 patent, *see* CX-739);
>
> an axial hole formed in one distal end of said spool (element 4 of claim 1 of the '288 patent, *see* CX-739);
>
> a pair of engaging plates, projected from said axial hole in a position axially downward inside said axial hole, and shaped in a rotationally symmetrical fashion at a straight angle with respect to an axis of said axial hole (element 5 of claim 1 of the '288 patent, *see* CX-739); and
>
> a key way defined by a plurality of inner teeth formed on an inside of said axial hole and axially upward from said engaging plates (element 6 of claim 1 of the '288 patent, *see* CX-739);
>
> wherein said winding wheel includes a drive shaft integrally formed therewith (element 7 of claim 1 of the '288 patent, *see* CX-739); and
>
> said drive shaft includes a plurality of engaging teeth formed thereabout, arranged at a regular pitch, extended axially, and respectively engaged with said inner teeth. (Element 8 of claim 1 of the '288 patent, *see* CX-739).

Based on the foregoing, the administrative law judge finds that the processes of the respondents involved in the alleged "remanufacture" are more complicated than simply adding film, battery and paper as argued by Jazz and OptiColor (JOBr at 13) and also more involved than simply taking a *new* claimed cartridge and modifying a cap of that cartridge, which cap was not specifically claimed, as in *Hewlett*. The Court in *Sandvik* stated "E.J. does not just attach a new part for a worn part, but rather must go through several steps

involving claims in issue to replace, configure and integrate the tip onto the shank" 121 F.3d at 673. Based on the comparison detailed *supra*, the administrative law judge finds that the respondents involved in the "remanufacture" also must go through several steps to "replace, configure and integrate" the parts of a single use camera to make a "remanufactured" single use camera; that they do more than just add film, battery and paper; and that in their "remanufacturing" processes, they manipulate a variety of parts of the single use camera directly reading on claim elements in issue.

In addition, referring to what is known about the processes used in the alleged "remanufacture" the administrative law judge finds that the *individual* processes used by the respondents further reveal the nature of the alleged "remanufacturing" processes and supports the finding that those processes involved a reconstruction and not a permissible repair.

The Jazz Suppliers

Jazz has four steady suppliers of LFFPs, *viz.* Peji, Ginfax Vastfame and Boshi. (FF 218). Boshi supplies about 10% of respondent Jazz's reloaded cameras.[43] (FF 219). In addition to the elements of the Boshi process that are common to all of the respondents' processes, from what is known *only* from the video, the Boshi process includes placing the LFFP camera body in a machine which appears to be grinding down the Fuji Film logo on the cowl surrounding the taking lens (FF 258); the side weld next to the film cassette receiving

---

[43] While Fuji's counsel received one videotape from a Boshi factory (CPX-470), Fuji had no opportunity to visit the Boshi factory to corroborate the video or to determine whether any steps were left out of the video. Moreover the video, for example, gives no insight into how the single use camera shells are obtained by Boshi nor in what condition they are in when they are received nor what selection process is used by Boshi to determine which shells will be used in the "remanufacturing" process.

chamber is cut with a chisel like blade in a hand press (FF 258); the front cover is removed and then the film door on the film receiving chamber is cut (FF 258); and then the front cover is reattached with no effort to match the covers with bodies. (FF 258).[44]

According to the video the next step involves removing the front cover again (FF 259); inserting a razor blade like tool under the counter wheel and cutting or prying a mechanism underneath the wheel (FF 259), Lorenzini testified that he is not exactly sure what the worker is doing with the razor blade at this stage, but that the worker is either working the frame counter or completing the opening of the take up spool area (FF 225); the front cover is then reattached to the LFFP body (FF 259); the rear cover is pulled away from the main body at the corner near the advance wheel and a metal ring is placed inside the film cassette chamber in order to hold the back cover apart from the middle section (FF 259); then the flash unit is tested. (FF 259).

The following step, pursuant to the video, involves measuring the leader of the film against a block and then inserting the film into the LFFP body (FF 260); a worker then manipulates the leader into the gap between the middle and back sections and removes the metal ring holding the body open (FF 260); at this stage, if the film door has been lost a new door is added (FF 260); a worker then clips off the engaging tabs of the film door (FF 260); then a worker inserts a small metal hook between the film wheel and the engaging pawl and pulls the hook back and tapes it down along the back cover of the LFFP body (FF 260), Bellows testified that the use of the hook under the film wheel is done in order to disengage the stopping mechanism in order to reload film in the one time use camera body. (CX-725, Q&A 103).

---

[44] Jazz's counsel admitted that an "appropriate cutting tool" is need [sic] to separate the back cover from the main body. (JORCFF 2031).

Thereafter, according to the video, the process involves the winding of the film which involves inserting a spindle which engages the film in the film receiving chamber, then placing the LFFP body in a dark box and pushing the body against a machine which winds the film (FF 261); a worker winds the thumb wheel backward while the film is winding (FF 261); then a worker removes the spindle while the camera is still in the dark box and tapes the film receiving door shut. (FF 261). In the next step a worker inserts a new battery and the flash is tested and a frame is shot (FF 262), the cardboard inner covering is then placed around the LFFP and the body is put in a cellophane wrapper. (FF 262).

The video further shows that the Boshi process also includes the modification of the film cassette in which a circular ring is placed around the circumference of the spool, then a worker uses heated dies to mold the teeth to the inner circumference of the spool of the film cassette so that it engages the teeth on the Fuji advance wheel. (FF 263).[45]

Regarding the processes used by Jazz's supplier Peji, Lorenzini testified that he saw the Peji process and he described the process as involving (1) the opening of the Fuji Quicksnap at three points with some sort of tool, (2) placing the camera in some sort of mechanical fixture and pulling a lever so that the plastic is cut and the back can be opened, (3) checking the flash, kicker, shutter and advance mechanism

---

[45] Jazz and OptiColor argued that the respondents' suppliers do not manufacture or assemble the overwhelming majority of parts in the LFFP (RJFF 15); and that respondents' suppliers use intact, without assembly or disassembly, the overwhelming majority of the camera and all its parts originally manufactured. (RJFF 17). It is clear, from an analysis of the common elements of the respondents' processes and the elements of Boshi's process, that while the respondents' process does not involve the *manufacture* of a majority of the parts of the LFFP, the process involves the manipulation, configuration and integration of many parts directly related to the claimed subject matter in issue.

and cleaning the camera, and (4) loading the film in a dark box where the film is pulled from the cannister then the canister and film roll are placed back in the camera and the back cover is put back on with a rubber band and tape. (FF 264).

Lorenzini also testified that he saw the Ginfax process. Lorenzini described the process as involving cutting open the camera, checking the flash and film advance mechanism, loading the film in a dark box which involves a motor pulling the film out of the cannister into a roll, and placing the film and canister in their respective portions of the camera.

The administrative law judge finds that Lorenzini's description of each of the Peji process and the Ginfax process is deficient in details. For example, Lorenzini's description of each of the processes does not give any insight into (1) how many welds are cut and with what sort of tools (2) how the frame counter is adjusted (3) whether and how the winding wheel or film cartridge is modified, (4) what the details are concerning the process for loading and winding the film; and (5) whether any modification are done to either the mechanical units or the flash units.

The San Harbor Process

OptiColor's sole supplier of single use cameras is respondent San Harbor. (FF 267). The only testimony proffered at the hearing concerning the process used by San Harbor was the testimony of Mr. Lass, the president of OptiColor. (FF 278). Lass himself has not seen the San Harbor process and his information was obtained from Mr. Brammer, who toured a San Harbor facility apparently no longer in use[46] and received explanations from Corinna

---

[46] OptiColor admitted that Brammer has not visited San Harbor's "new" factory. (JORCFF 2242).

and/or Vitoria Lim. (FF 279).[47] Ms. Corinna Lim did not testify at the hearing, but her deposition was taken, and she gave testimony concerning the San Harbor process. However Lim testified that she did not "have such detailed practical knowledge because she was not performing the activity first hand." (FF 280). Moreover, Lim also testified that "being a general manager of a factory, of course when I go and inspect I inspect things in general and not in detail." (FF 283). Significantly Lim never testified at the hearing nor did the complainant have the opportunity to visit the San Harbor factory and corroborate any of Lim's deposition testimony.

{

[47] There is pending Motion No. 406-49 by OptiColor for reconsideration of an oral ruling on November 13, 1998 excluding from evidence ROCX 150 and ROCX 151, *viz.* OptiColor's designations from the depositions of Lass and Brammer. While complainant opposed the motion, Motion No. 406-49 is granted. In granting Motion No. 406-49, the administrative law judge has considered ROCX 150 and ROCX 151 as well as the counter designations CX-329 and CX-326. Regarding ROCX 150 (Lass deposition designations). The administrative law judge, as indicated *supra*, gives no weight to the Lass testimony concerning the San Harbor process because Lass *never* visited the factory and received his information second hand from Brammer, who has never visited the current San Harbor factory. Regarding ROCX 151 (Brammer deposition designations) the administrative law judge finds that the designations offered by OptiColor in conjunction with the Brammer deposition designations offered by complainant (CX-326) add nothing to what Lim stated in deposition concerning the process used at the San Harbor factory because Brammer did not visit the current San Harbor and thus could not testify about it.

The Dynatec Process

Mr. Yu, president of China products, Inc., a sourcing agent who locates factories in China, was the only individual who proffered testimony at the hearing regarding the processes of the Changzhou factory which supplies Dynatec. (FF 292, 293). Yu testified (FF 298):

> A Sure. The first will be remove the cardboard paper on this cover, and taking off the battery, if there's one attached to; then open the back, the back panel. If there's a side panel attached to, most of the time the photoprocessor took them out because they need to take the cartridge film, cartridge out of this—out of this—out of this cavity.
>
> So if there's a side panel on them, first remove the side panel. If there's no side panel attached to, just remove the back cover. After that, adjust the film, film counter to the—sorry—then after that we replace the winding wheel, and if it's originally from Kodak. If it's a used one, we don't need to replace it.
>
> Now, after that we reset the counter to the proper number.
>
> Q Now, at some point in this process you also remove the battery; is that correct?
>
> A The battery was removed after the cardboard cover was removed.

* * *

Q How is it then that you accomplished the removal of the back panel?

A Basically there are four latches on each side of—on each side of the back panel; and also there is latches that on the bottom, just unlatch them and open them up.

Q Then you described a step for removal of the battery for the flash cameras. What is the next step in the procedure that is incorporated by the Changzhou supplier?

A You mean the Max?

Q For reloading this particular camera shell, that is CPX 190.

A You mean after you unlatch them or after you remove the battery?

Q After you unlatch and remove the back panel.

A Oh, yeah. After you open the back panel, the procedure will be replace the winding wheel, then adjust the counter. After that—

Q When you say "the counter," what counter is that?

A It's a white wheel, white wheel film counter, has numbers on them.

* * *

Q What is the purpose for the film counter, Mr. Yu?
A The film counter—

* * *

THE WITNESS: Film counter is used to count how many exposures was taken.

BY MR. LAYCOCK:

Q What then is the next step?

A The next step will be the winding the unexposed film from the canister on to a plastic spindle. After—after winding all the unexposed film on to that plastic

spindle, the spindle is full of film, and then put both canister and the spindle back to the—back to the respective cavities.

* * *

Q What's the next step in the process used to reload the CPX 190 exhibit?

A After that, put back the back panel, then insert the battery, the new battery on to the camera; apply the—apply the Dynatec cardboard cover on it, and then it is done.

* * *

Q Are these the steps that you testified that you observed being practiced by the Changzhou Company?

A Yes.

Q And is it your understanding that these are the steps that are always followed for the reloading of this particular camera shell on behalf of Dynatec?

A Yes.

Q I'd like you to now take before you Exhibit RPDYNA 19.

A I have RPDYNA 19 in front of me.

* * *

Q Do you recognize RPDYNA 19 as a Dynatec Fun Pak camera with flash?

A Yes.

Q And are you able to identify the camera shell that has been reloaded to result in the Fun Pak camera with flash?

A Yes.

Q What is it?

A It is the loaded with the Kodak Max shell with the Dynatec package.

Q Would you please describe for the Court the process steps followed by the Changzhou supplier in preparing this camera on behalf of Dynatec?

A Sure. The process—the process will be first remove the—whatever cardboard cover on the shell, and open the back panel by unlatching the four latches, two latches on each side as well as the two latches on the top, one is on top of on the bottom, the opening, and open the back panel and take out the batteries in it.

After that, replace the winding wheel and reset the film counter. After that it will be, you know, winding unexposed film from canister on to a spindle.

Once the spindle is full of film and put both canister and the film, the spindle with film back to respective concavities. And after that, insert a new battery, close the back panel. And apply the—apply the Dynatec cover on them and it's done.

Q The procedural steps that you have just described, are those the same steps which you have observed and learned are a part of the process incorporated by the Changzhou Company in preparing this particular camera?

A Yes.

Q Thank you. I'd like you to now take before you Exhibits RPDYNA 4 and RPDYNA 5.

A I have RPDYNA 4 and 5 here.

Q Are these the same exhibits that you identified as being Dynatec Fun Pak cameras made from Fuji shells?

A Yes.

Q Is the process for reloading each of the exhibits RPDYNA 4 and 5 similar?

A Similar except the outdoor does not have a flash unit.

Q Would you please describe the process incorporated by the Changzhou Camera Company in preparing these particular cameras on behalf of Dynatec?

A Sure. The procedure of reloading the Dynatec flash camera with Fuji recycled Fuji shell are the same as the Kodak one, remove the cardboard box in this step. And then remove the battery at the bottom, and then open the—open the front cover by unlatching the latches on both side and top and bottom, open the front cover, and taking off the flash unit, then taking off the shutter, the mechanical unit what we call the shutter mechanism.

And after that, the factory uses a cutter to cut the bottom cap of film supplying chamber.

* * *

Q How is the cutting procedural step accomplished, Mr. Yu?

A They have a tool sitting on the table and insert the camera in and there's a cutter from top and goes down, and cuts that particular part, cutting—cutting it in half so the bottom is still connected to the body itself.

Q And what is it that is cut, Mr. Yu?

A They're cutting the bottom cap, bottom cap of the film, what Fuji calls the film supply chamber.

Q Would you please continue in your description of the procedural steps used by the Changzhou Company in preparing particular cameras.

A Sure. After it's open, they use—the factory uses a flexible tape, like a leader attached to the end of the unexposed film. And then winding the film back into the canister only leaves that tape out, protruding out; then insert that—insert that tape into the film take-up chamber, and then also from that chamber into that channel where the shutter mechanism sits there.

And after that, they insert a whole canister into that film take-up chamber. Then pull the tape, same—pull the tape and the film out of that canister. Once it's pulling out and remove that tape, and then fit the fitted

film into that—into that film supply chamber, then using a winding tool, stick into the opening part of—opening bottom part of the film supply chamber and winding the film into that chamber.

Q Is there a film counter in the RPDYNA Exhibits 4 and 5?

* * *

THE WITNESS: Yes. There is a film counter.

Before we insert the—you know, before we insert, put that film counter back, the shutter mechanism back, we adjust, the factory is readjusting the film counter.

BY MR. LAYCOCK:

Q So that is—is that an additional procedural step followed in the preparation of these cameras?

A Yes, it is, it's an additional one.

Once the film was winding into that film supply chamber, it's sealed, the bottom, the bottom cap of the film supply chamber where it was cut, and we put back the film—put back the shutter mechanism with a counter adjusted to the proper number.

And then reattach the flash unit, after that and then they will put the cover, front panel back to the—to the place, and insert the—insert a new battery and put a cap on top of—on the top of the lens so to cover the logo.

And once that is done, will apply the cardboard paper, Dynatec's package on to the camera and the film.

Q Are those the procedural steps that are always followed by the Changzhou Company in preparation of the Fuji shells?

A Yes.

Regarding Yu's credibility as a witness, testimony at the hearing indicated that his memory is questionable. For example, while Yu's deposition was taken on September 1, 1998 by complainant's counsel, Yu testified on November 12,

1998 at the hearing that he *could not remember* being questioned by complainant's counsel at his deposition concerning what was said during his visit to the Changzhou factory in May of 1998. (Tr. at 3295). Moreover, at his deposition on September 1, 1998, Yu *could not recall* what was said during his visit to the Changzhou factory in May of 1998 (CPX-417), even though it is undisputed that Yu accompanied Gledhill to the Changzhou factory and performed translations during the production of a videotape. (CPX-407). A further indication of Yu's lack of memory is the fact that, at his deposition, Yu testified that *he had never seen* any of the film loading steps demonstrated for him in the light (CX-162), while he later testified, after examination by Dynatec's counsel, that *he did see* the steps demonstrated for him in the light (RDYNA-35). However yet upon further examination by complainant's counsel Yu *could not recall*, *had no idea* or *did not pay attention to* any details concerning the film winding and loading process and what sort of tool was used during that process. (CX-162). Moreover, while Yu testified, at the hearing, that he had no assistance from counsel preparing his declaration (RDYNA-34) (Tr. at 3268 to 3274), he also testified that the [sic] obtained the drawing of Exhibit A to his Declaration (RDYNA-34) from his attorney. (Tr. at 3274). Earlier, at his September 1, 1998 deposition, Yu testified that he downloaded Exhibit A from the Internet. (CPX-417). Yu also testified, at hearing, that he received Exhibits C an D of his Declaration from Kodak (Tr. at 3275), but at his deposition Yu testified that he downloaded these exhibits from the Internet. (CPX-417). Furthermore, Yu testified that he obtained knowledge regarding the cost of single use camera shells from his visit to the Changzhou factory in March of 1998. (Tr. at 3299). However, during his deposition on September 1, 1998, Yu testified that he *had no idea* how Changzhou obtained the single use camera shells and that he never participated in identifying sources of shells for Changzhou. (Tr. at

3299-3300). Based on Yu's lack of memory, and the inconsistencies between his testimony at the hearing on November 12, 1998 and his testimony is [sic] at his deposition on September 1, 1998, the administrative law judge finds Yu's testimony lacking in credibility.

Moreover Yu's testimony *supra*, adds little information concerning the elements of the Changzhou process beyond what are known as the elements that are common to all of the "remanufacturing" processes. For example, Yu's testimony does not give any information on (1) how the Changzhou factory obtains the single use camera shells and what condition they are in when received (2) how the frame counter is removed and adjusted, (3) how the winding wheel is modified, and (4) whether any modifications are done to either the mechanical units or/the flash units. Moreover, a review of the videotape taken by Gledhill of the Changzhou process (CPX-407) reveals that the process shown is merely a "bench" demonstration[48] and does not disclose any information regarding the actual process used in the Changzhou factory. (FF 310). Accordingly, the administrative law judge gives no weight to the process revealed in the videotape.

The { } Process

The administrative law judge finds that there is very little evidence in the record concerning the{ }process. Complainant visited the{ }factory on September 1, 1998. (FF 317). However complainant was only able to view some preloading activities and some postloading activities, but did not have the opportunity to witness the loading process. (FF 320). Complainant was unable to view the loading process that day because none of China Film's

[48] The administrative law judge understands a "bench" demonstration to be a demonstration given apart from the factory's remanufacture process and only for the benefit of the viewer, rather than an actual view of what happens *during* the remanufacture process.

product were being loaded that day, but rather another customer's product was being loaded and{ }could not authorize complainant to view another customer's product and the process involved in making that product. (FF 319).

In addition to the preloading and postloading activities, { }gave a bench demonstration of the loading of China Film's product, *i.e.* the reload of a Fuji LFFP. (FF 320). However in view of the facts that the complainant did not have the opportunity to witness the reloading procedure of China Film's product at the{ }factory, and that the demonstration was merely a "bench" demonstration of the reload process, the administrative law judge finds insufficient evidence in the record to support China Film's argument that the{ }reloading process was adequately disclosed to complainant and that said process is a repair.

Subsequent to complainant's visit,{ }extended another visitation offer for October 21, 22, or 23, 1998. However, the offer for visitation was for a time already past the close of discovery and during the time for submission of prehearing statements and thus untimely. (FF 321).[49]

{ } also supplies PSI. Thus, the administrative law judge also finds that there is insufficient evidence in the record to support PSI's argument that its supplier's process is simple.

The Sakar Process

Sakar only made an offer of visitation to its reload factory on October 16, 1998. (ACS Br at 11). This offer was made

---

[49] Order No. 11 which issued on August 20, 1998 had put the parties on notice, *inter alia*, of a target date of May 25, 1999, a discovery cut-off and completion date (non-experts) of October 2, 1998, and an evidentiary hearing commencing on November 2, 1998.

after the close of discovery. Moreover there is nothing in the record to indicate what is involved in the Sakar process. (FF 322).

Based on the foregoing, the administrative law judge finds that, in the instances in which some information is known about the respondents' *individual* remanufacture processes, *viz.* Changzhou (accepting Yu's testimony), Boshi and San Harbor, those processes support a finding of impermissible reconstruction because the factories involved do much more than merely add film, battery and paper. The administrative law judge further finds that, in the instances in which those respondents, involved in alleged "remanufacture," have provided little or no information on the factories' processes, *viz.* Ginfax, Peji,{ }and Sakar, those respondents have not sustained their burden in proving that the actions of those factories constitute permissible repair.

Moreover, referring to what is known about the nature of the accused processes involved in the "remanufacture", the administrative law judge finds that said processes, began with damaging or breaking single use camera bodies. Thus, as seen *supra*, the alleged remanufacturing processes can include opening the single use camera bodies by either cutting welds or hooks with a special cutting tool such as a hand press, or using a cutting tool to open welds or hooks and then placing the camera in some sort of mechanical fixture and pulling a lever so that the plastic is cut and the back is opened.[50] They also can include cutting along the film door

---

[50] Dynatec's Yu admitted that in reloading the Dynatec flash camera with a Fuji recycled Fuji shell, "the factory uses a cutter to cut the bottom cap of film supplying chamber." (Tr. at 3223). While Dynatec's Read testified that based on the "evidence" Read sees in the process of reloading Kodak cameras "nothing is broken," and that "if anything were broken it would not be the essential parts of the camera, it would be some little plastic tab somewhere" (Tr. at 2648) there is no evidence that Read

with a hand held paper cutter and cutting a weld to open the back door. The alleged "remanufacturing" processes also may involve using a razor blade to cut open the take up spool area or reset the frame counter, and if the back cover is not removed bending it back and holding it open with a washer. In addition the administrative law judge also finds that some of the processes even include the use of a grinding machine to grind down the cowl on the front cover that surrounds the taking lens. Dynatec's technical expert Read in his "Dave Read's 'how-to' instructions for reloading Fuji QuickSnaps" (CX-164 at 10) stated:

> "Another gentle tug on the shutter assembly should lift it free completely. Now you can remove the advance wheel with no effort.
>
> *When releasing the second latch on the shutter assembly, be careful! I broke one with very little force. I don't know if it will be a long-term problem, but the shutter assembly is definitely a little loose now. I also wouldn't recommend removing and replacing the shutter assembly too often*" [Emphasis added]

At the hearing, when questioned about that portion of his instructions, Read testified (Tr. at 3680-3681):

> Q So would you now agree that it's relatively easy to break a part of the shutter assembly?
>
> A No. When I say I broke one, I was referring to the second latch, not the shutter assembly. The latch is on the camera body, it's not part of the mechanical unit.
>
> Q Doesn't it hold the shutter assembly on there?
>
> A Yes, that's why it's not a part of the mechanical unit. It's mounted to the body and it holds the mechanical unit onto the body.

---

was in the Changzhou factory and actually witnessed what the alleged "remanufacturing" process involved.

> Q *Do you have any idea of what the effect of a loose shutter mechanism might be in a camera*?
>
> A *In this case, the entire mechanical unit could shift around a little bit, and it's possible that it might shift the active image area on the negative slightly one way or the other, up and down a little bit, maybe.* [Emphasis added].

Based on the foregoing, the administrative law judge finds that the nature of the actions by respondents involved in the "remanufacture" is effectively a recreation of the patented inventions.

2. Complainant's Intent

A further factor pointed out by the Court in *Sandvik* was the patentee's intent.

The administrative law judge rejects respondents' argument that an analysis of the patentee's intent can *only* be used as objective evidence that the patentee expected that its product would be repaired and reused. (JOBr at 113, 114). Specifically, respondents argued that the cases in which a court relied on intent were cases where "the patentee was claiming that the device was spent, and could not be repaired, yet the patentee itself was offering a repair service or parts for the device similar to those being offered by the defendant" (JOBr at 34); and that courts only used the intent of the patentee "against the patentee to support a holding of repair." (JOBr at 34).

The Court however in *Sandvik* found that the evidence showed that Sandvik never intended its drills to be retipped; that *Sandvik* did not manufacture or sell replacement drill tips; that *Sandvik* did not publish instructions on how to retip its patented drills or suggest that the drills could or should be retipped; and that there was no objective evidence that

Sandvik's drill tip was intended to be a replaceable part. 121 F.3d at 674. The Court, in so finding, stated:

> There is, therefore, no objective evidence that Sandvik's drill tip was intended to be a replaceable part. *Although the repair or reconstruction issue does not turn on the intention of the patentee alone, the fact that no replacement drill tips have ever been made or sold by the patentee is consistent with the conclusion that replacement of the carbide tip is not permissible repair.* (Emphasis added).

Id. Thus, the Court in *Sandvik* recognized that the patentee's intent is a factor in the repair-reconstruction analysis and that the patentee's intent can be used *not only* to show that the patentee expected its device to be reused *but also* to show that the patentee did *not* expect its device to be reused. The administrative law judge, like the Court in *Sandvik*, is not using complainant's intent to determine the issue of the repair versus reconstruction. Rather he is looking at complainant's intent to determine whether it is consistent with the conclusion that the alleged "remanufacturing" processes constitute or do not constitute an impermissible reconstruction, and whether it supports the ultimate finding on the issue.

In this investigation the administrative law judge finds that the evidence shows that Fuji, who is the owner of the patents in issue (FF 54), never intended that the single use cameras in issue be "reconstructed" as is being done in the "remanufacture" by the accused infringers and in fact intend that the cameras be constructed as to be limited to a single use.[51] Single use cameras are relatively inexpensive, disposable cameras which are preloaded with film and a film cartridge so that after use, all of the film has been advanced into the film

---

[51] *See*, e.g., col. 2, lines 7-10 of the '400 patent (CX-6), which is based on 1986 and 1987 priority data, (CX-6) and disclose that an object of the invention is to provide an LFFP so constructed as limited to a single use.

cartridge. (FF 1). In contrast to a single use camera, a conventional camera is designed to be reloaded by the consumer. Access to the film compartment of a conventional camera is relatively easy, usually by opening a hinged cover, inserting the film cartridge into the camera, and threading the film tongue through the slit on the winding spool, or in the case of auto-loading cameras, by pulling the film tongue enough to go over the winding spool and closing the cover. The design of conventional cameras, including the materials used, permits repeated reuse, while LFFPs are designed to be used once. (Omura CX-650, Q&A 14).

In design by Fuji of the first 35 mm LFFP, certain criteria were considered important during its development. Thus the single use camera had to be easier to use than a conventional camera. The single use camera had to require relatively no mechanical skill on the part of the user. The difficulty a user might have with loading film into a conventional camera had to be avoided. The single use camera had to be relatively inexpensive to manufacture and convenient to mass produce. The LFFP had to be capable of sale at a low enough price relative to the price of film alone that users would not be disturbed by the fact that the LFFP would be disposable.[52] Despite the low price of an LFFP, it had to provide high quality pictures, which would be found acceptable to users of conventional cameras. Finally, the single use camera had to

---

[52] Dynatec's Gledhill in deposition testified that when he takes a single use camera to a photo developer to have it developed, as a consumer he does not ask to get the camera back; that his best description of a single use camera is a camera that any consumer would purchase and when the consumer returns the camera to get the prints, the consumer returns the camera and the film all in one and that the fact that the camera is also called a one-time-use camera is that the camera is used up when the consumer takes it to a photo developer. (CX-147 at 11, 18, 57). OptiColor's President Lass testified that when he uses the term "single use cameras" he is referring to "a camera that is used by an individual one time." (Tr. at 1865).

be convenient for a photo processor to develop the pictures taken with the LFFP using existing equipment. In other words, the basic concept in developing this LFFP, in terms of the user, was to "make it a product that could be used by anybody, anytime, and anywhere with ease and without worry," and in terms of the photo processor, the concept was to create an LFFP that could be processed using existing equipment without any hassle. "Anyone" meant that the single use camera should be easy to use for women who may not be very good at using cameras, children and even the elderly. "Anytime and anywhere" meant that the single use camera can be bought on a trip even if the traveler did not bring a camera, and can take pictures whenever he wants. "Easy to use without worry" meant that the price was low enough and the functionality was good enough that consumers were satisfied. (Omura CX-650, Q&A 23). It was Fuji's design objective that the single use camera be used by users of all ages, from young children to the elderly; that any use of the single use camera should require no mechanical skill nor any ability to load or thread film; and that Fuji's single use cameras should be essentially point-and-shoot products so that little skill in picture taking is required. Further, it was Fuji's design objective that the single use camera be a strong and reliable product, capable of resisting normal usage, but which, because of its low costs could be taken to places, such as to the beach or skiing, where people might be unwilling to risk more expensive cameras. (Omura CX-650, Q&A 32).

To satisfy the criteria considered important during Fuji's development of the single use camera, the key to its successful design was the use of a standard 35mm film cartridge, with which film processors were very familiar. The best method of using the 35 mm cartridge was to provide a film supply compartment and a film take-up compartment on both sides of the photo lens inside of a light-tight plastic case, to provide unexposed film that has been rolled up inside the film

compartment by unwinding it out of the cartridge ahead of time, and to store the empty cartridge in the film take-up compartment.[53] Fuji's LFFP was designed so that as the pictures were taken, the exposed film was wound back into the 35 mm film cartridge.[54] When all of the film was used and all of the film was wound into the cartridge, all that was required of the user was that the user deliver the used LFFP to a photo processor. The single use camera was designed by Fuji so that a user need never touch the film, thus the single use camera was enclosed in a paper box which the user would have to destroy if he wanted to access the film, and which paper box contributes to the light tightness of the single use camera.[55] Also, consistent with Fuji's design that the user never had to handle the film, Fuji made the rear cover difficult to remove by securing it with ultrasonic welding and/or hooks that would break if opened. Therefore the user neither had to load the film, nor wind the film back into the film cartridge after use as was the common practice in conventional cameras, or remove the film from the camera body. Furthermore, in order to allow easy and fast access to the film for the photo processor for further developing, Fuji designed the single use camera with a door at the bottom of the film take-up compartment which can be broken open by ripping the paper back from the outside.[56] Since removal of the film could be performed in ordinary room light, and since the cartridge could be processed using equipment already

---

[53] *See* for example claim 1 of the '087 patent, claim 1 of the '857 patent, claim 1 of the '495 patent, claim 14 of the '400 patent, claim 1 of the '364 patent, claim 1 of the '685 patent and claim 1 of the Re '168 patent, *see* section VII A1 *supra.*

[54] *See* for example claim 1 of the '087 patent, claim 1 of the '857 patent and claim 1 of the '685 patent, *see* section VIIA1 *supra.*

[55] *See* for example claim 1 of the '087 patent, claim 1 of the '495 patent and claim 1 of the '857 patent, *see* section VIIA1 *supra.*

[56] *See* for example claim 14 of the '400 patent, *see* section VIIA1 *supra.*

owned by photo processors, the single use camera developed by Fuji was very convenient for photo processors to deal with. (Omura CX-650 Q&A 28, 30 and 31).

In order to achieve the good photo quality, Fuji, moreover had to do more than just use a 35 mm film. Fuji paid close attention to the design of the lens of the LFFP so that the lens could provide high quality photos even though it is an inexpensive plastic lens. Also, Fuji took measures to ensure that the film is positioned accurately in relation to the lens and that it is fixed in that position and maintains its position during picture taking. (Omura CX-650 Q&A 29). Some of the features incorporated in Fuji's LFFPs to improve picture quality included the providing of upper and lower projections formed on an inner surface of the film roll receiving chamber which supported the outermost portion of the film roll at its upper and lower sides. Another feature used by Fuji, in its design of the single use cameras, was the structure which forced the film to be curved in an S-curve between the film passage and the slot of the film container. Other features were protuberances on the inside of the back cover which defined a forwardly opening concave path to the frontal part. (Omura CX-650 Q&A 30).[57]

Furthermore, the cardboard of the Fuji single use camera instructed the purchaser to bring the entire single use camera to a photo processor to have the pictures developed but it also warns the purchaser about electrical shock with Fuji's flash single use cameras. Thus the evidence establishes that a Fuji flash QuickSnap single use camera is in a box and each of the box and the outer cardboard cover of the camera has statements instructing the purchaser to not remove the film and return the camera to the photo processor and further cautioning the purchaser about the risk of electrical shock if

---

[57] *See* for example claims 14 and 15 of the '774 patent, *see* section VIIA1 *supra*.

opened by the purchaser. (CPX-137). A Fuji QuickSnap single use camera without flash on its box instructs the purchaser not to remove the film and to return the camera to a photo processor. (CPX-138). Both CPX-137 and 138 instructs the purchaser that the single use camera will not be returned to the purchaser after processing. Similar notations are on the Kodak Max flash single use camera (CPX-150) and on the Kodak Fun Saver 35 flash single use camera. (CPX-149) (*See* also Snook CX-700, Q&A 9).

Fuji did accomplish its design objectives because a typical user, who has purchased for example a Fuji QuickSnap single use camera, uses the camera by exposing the roll of film which is included within the single use camera product. As the frames of the film are exposed, the film is wound into the cartridge within the camera body by the rotation of the film advance wheel by the user. When all of the frames have been exposed, all of the film has been wound into the cartridge. Users then follow the instructions on the cardboard of the camera to bring the entire single use camera to a photo processor in order to have the pictures developed. Users pay the photo processor to develop the film within the camera and receive back *only* the negatives and prints, but not the empty single use camera body. The photo processor tears open the inner cardboard where the film cartridge door is located, breaks open the door covering the film cartridge compartment within the camera and removes the film cartridge. The photo processor then develops the film. (Baer CX-614 Q&A 14, 15).

Respondents acknowledge that complainant's single use camera was designed by complainant such that it was not to be opened and reloaded by the purchaser and yet be inexpensive, thus achieving Fuji's design objectives. For example, Argus' president William James Pearson testified that he did not have the capability of reloading Fuji's single use camera although "with some training . . . I'm sure that I could." (Tr. at 3426, 3442). Dynatec's technical expert

Read's "how-to" instructions for reloading Fuji Quick Snap (CX-164) in its introductory paragraph states:

> Before you start, let me say that *reloading Fuji Quick-Snap cameras is not a trivial exercise.* It's not impossible, either, but if you don't like diddling with little bits of plastic, or are afraid of destroying a few cameras or wasting a few rolls of film while you learn, then I don't recommend reloading. (Emphasis added).

Read was also unable to reload a Kodak LFFP with the assistance of a kit purportedly designed to make such reloading possible. (FF 358).

Jazz's technical expert Heidke, in direct examination by Jazz, testified (Tr. at 3099 to 3100):

> Q Dr. Heidke, let me just ask you one question, because you touched on a topic. You indicated that it's a camera that you reloaded carefully. *Is it your opinion that the Fuji LFFPs are the type of cameras that should typically be reloaded by the average consumer*?
> A *I would not recommend it, and I am not recommending that average consumers should engage in reloading these things, because I think reloading a camera, if you want good results, has to be done with someone who has some real knowledge and understanding of cameras and films, and the processes associated with them.* It's not difficult to do, and the advanced amateur, I think I used those words in one of the papers that I wrote, an advanced amateur could probably do it but I would not recommend it for consumers. [Emphasis added]

Heidke further testified on cross-examination (Tr. at 3200-3201):

> You told us before that in your life experience before this case, being a former Kodak employee, you bought 50 or 60 Kodak one-time use cameras; is that correct?

A That's correct.

Q Why didn't you just buy one and reload it 50 or 60 times?

A Because I was supplying them to—we were having—in one case we had a party with about 14 tables full of people, and I wanted to put a single-use camera on each one of the tables, so I bought 14 cameras and put them on the tables so everybody could use them at the party.

Q *So now you have 14 that you could reuse, so then you only have to buy no more cameras for the rest of your life; is that fair?*

A *No, that's not fair. I would not for myself personally engage in reloading any single-use camera for my personal use.*

Q *Why not?*

A *Because to me it is—the value of my time, and the other things that I like to do, and given the value of the cameras, their price, to me personally I would buy a new one rather than to take the time to break the back off, splice some new film onto an old petrone, take the eight or 10 minutes. I would prefer to buy a new one.*

Q *And you would agree that that's the view of the average consumer who buys these products?*

A *I believe that's true.* [Emphasis added]

Dynatec's technical expert Read testified that it was his opinion that the average person buys a one-time use camera because it is easy to use, convenient and relatively inexpensive. (Tr. at 3689).

Respondents, in the single use cameras that they sell resulting from "remanufacture", have recognized that single-use cameras are for a one-time use. Thus OptiColor's accused single use flash cameras are sold with the following legend: "Caution. To avoid risk of electrical shock, do not disassemble camera at any time. Return entire camera to

photo finisher for processing. Avoid exposure to heat, water and dust." (Lass, Tr. at 2038, 2039, CPX-544). The Dynatec Fun Pack single use flash camera is in a box that has the label "CAUTION: To Avoid Risk Of Electrical Shock Do Not Open Camera" and also the label "Instructions for Developing: Do not open camera case. Return camera to photo dealer for developing . . . This is a single use camera. It will not be returned after the film is developed." (CPX-166). An accused Jazz single use flash camera is in a box that has the label "CAUTION: To avoid electric shock from the flash condenser, do not attempt to disassemble this unit." (CPX-197). An accused Sakar single use flash camera is in a box which has the following wordings in duplicate, *viz.*, "Caution: To avoid risk of electric shock, do not disassemble cameras at anytime." (CPX-218). As seen by CPX-544 and CPX-166, *supra* respondents' single use cameras have labels that indicate the camer.. should be returned to photo dealer for developing. *See also*, CPX-187, CPX-174, CPX-197, CPX-218. *See* further, the testimony of Dynatec's Gledhill that respondent Dynatec sells its product with a label instruction for consumers not to open up the camera and to send the entire camera to a film processor. (Gledhill, Tr. at 2566). OptiColor's Lass also testified that OptiColor uses the legend because the retailers that OptiColor sell those cameras to "don't want the end user taking a chance of damaging the film inside which would result in damaged pictures." (Tr. at 2086).

Respondents, involved in the alleged "remanufacture," argued that nearly all parts of Fuji's LFFPs can be reused and make reference to {

} (CX-703) (JOFF 47). {

} (CX-703 at SSL 905-NONE-0045772).

It is a fact that the '685 patent in issue is directed to a lens-fitted photographic film unit whose parts can be recycled easily. However such recycling is a detailed process not done by the purchaser or for the purchaser but rather done by the manufacturer of the single use camera when the single use camera with its exposed film is returned to the manufacturer via a photo laboratory. *See* CX-11, col. 5, lines 45-68, col. 6, lines 1-14. Moreover in May of 1990, after Fuji started a program to collect LFFP empty bodies, Fuji dismantled the bodies with simple disassembly machines and removed, cleaned and tested the strobe (flash) units for potential reuse. Also beginning in April 1991, Fuji entered into agreements with Kodak and Konica to exchange returned empty LFFP bodies to the original manufacturer. In November of 1992, an automated recycling lines Fuji's Fukano helped develop was installed at Fuji's Ashigara, Japan factory and presently Fuji maintains a two-story recycling facility for single use cameras produced in the Ashigara factory. (CX-610 Q&A 23).

Fuji's procedure for dealing with collected empty one-time-use camera bodies returned to Fuji is indeed a detailed process and there is no evidence that a photo processor or a respondent involved in the alleged remanufacture follows such detailed process. Thus Fuji in its process, sorts the empty LFFP bodies, off-site, to screen out non-Fuji products with those of Kodak and Konica returned to Kodak and Konica. The empty LFFP bodies which have been "remanufactured" by third parties are also separated because those include glue and tapes to close the previously opened empty bodies and the glue and tape can interfere with dismantling. Fuji is also concerned that such products will contaminate its equipment and/or components selected for reuse. (*Id.* Q&A 24, 25).

As the administrative law judge has seen in a recycling videotape (CPX-37), the "pure" empty Fuji single use camera bodies with flash, in Fuji's recycling process, are sorted into

various types. After sorting, the cardboard cover is removed and bundled for recycling and the stripped empty bodies are then transported to the appropriate automated disassembly line for removal of the front cover from the assembled main body and rear cover and the charged electrode then removed. Thereafter the battery is removed from the main body for testing and sorting and the strobe is removed from the main body for cleaning and testing. The picture taking lenses are also removed for cleaning and testing from the mechanical units while they are still attached to the main body. The mechanical unit is then removed from the main body and the viewfinder lenses are removed from the mechanical unit for cleaning and testing. (*Id.* Q&A 26). With respect to the rear covers and main bodies uncovered from the empty LFFPs returned to the recycling factory, Fuji grinds them up and pelletizes them in a further treatment outside of Ashigara and then the resulting material is remolded into front covers for use in the manufacturing of a new LFFP. Front covers, obtained from the recycling process, are inspected and those which are free of scratches and other deformations, are reused. Currently, only about { }of such front covers are reused each month which represents less than { } percent yield. (*Id.* Q&A 34-36). Metal charge electrodes recovered in the recycling process are sent to a third party for recycling because the charge electrode is a fairly complicated but thin metal item and if it does not have proper springiness or shape, the charge button will not work properly. Batteries recovered are divided into three categories and those in the best condition are reused in new LFFPs. Mechanical units removed from the main body are cleaned using compressed air and the counter is reset to a predetermined starting position with the torque inspected to ensure that the counter moves correctly with advancement of film, the shutter speed measured and the height of the mechanical unit also measured. About only { } percent of mechanical units pass all of those tests. (*Id.* Q&A 40-45).

In Fuji's recycling process the flash units removed from a used LFFP are collected in trays and then cleaned in an automated line. The flash unit itself is subjected to over fifty automated tests directed to both its appearance and functionality. The percentage of strobe units that pass those tests has averaged about { } percent. (*Id.* Q&A 48-50). The viewfinder lens and picture taking lens that were removed from the returned single use camera's empty bodies are subjected to seven separate baths and then inspected. Approximately { } percent of the cleaned lens pass inspecting. (*Id.* Q&A 51-52).

Kodak also has a recycling process. (CX-702). In that process{

}(CX-700, Q&A 15), and film processors are encouraged to return spent single use cameras from which the film has been removed to Kodak's recycling center in Rochester, New York. At the center, {

} (Snook CX-700 Q&A 13-17).

The administrative law judge finds that the fact that complainant reuses { } percent of the flash units tested, { } percent of the mechanical units tested, { } percent of the lens and { } percent of the front covers, and only after extensive testing, and the fact that Kodak { } are not inconsistent with complainant's intent that the single use cameras be disposed of after exposure of one roll of film. This is borne out by the fact that those parts which have passed complainant's extensive testing procedures are *only* re-used in conjunction with *newly* manufactured front covers { }, *newly* manufactured main bodies and *newly* manufactured rear covers which newly manufactured components are critical to the light tightness of complainant's single use camera; and further borne out by the fact that Kodak {

}

Based on the foregoing, while the administrative law judge finds that the repair verses reconstruction issue does not turn on the intention of the patentee alone (as the Court stated in *Sandvik* 121 F.3d at 674) he finds the evidence in this investigation, with respect to Fuji's intent, consistent with and supports the conclusion that the alleged "remanufacture" is a reconstruction and not a permissible repair.

3. The Nature Of The Original Single Use Camera And How It Was Designed

Another *Sandvik* factor concerns the nature of the original single use camera and how it was designed. As seen from section VII A 2, *supra*, the administrative law judge, in analyzing complainant's intent also examined the nature of the single use camera and how Fuji designed it. Based on that examination he finds that the nature of the single use camera and how it was designed support the conclusion that the alleged "remanufacture" is a reconstruction and not a permissible repair.

4. Whether A Market Has Developed To Manufacture And/ Or Service The Original Single Use Camera

It is argued by respondents that over the past several years a huge industry and market has developed for the reconditioning and sale, in the United States and abroad, of previously used LFFPs originally manufactured by Fuji and others; that this factor weighs heavily in favor of a finding of permissible repair; and that in this huge industry, (1) scores of companies have been providing reconditioning services and importing and distributing reloaded LFFPs in the United States, (2) reloaded LFFPs have been and are being sold by a great number and variety of U.S. resellers, including large retail chains, and (3) millions of LFFPs have been and are being purchased annually by the consumer end users. (*See* for example JOBr at 108, 113).

Complainant argued that the number of infringers cannot in any way indicate that such infringers are performing a permissible repair rather than remanufacture; that all that the number of infringers indicates is that the infringement is profitable; that each of the respondents involved in the "remanufacture" purchases new one-time-use cameras from Asian factories who make the new one-time-use cameras from "abandoned" empty bodies received from film processors;[58] and that none of them do anything closely resembling a repair. (CBr at 132-133).

The staff argued that it appears that most consumers do not know if an LFFP they purchase is reloaded and that the large market for reloaded LFFPs logically has much to do with the low prices charged for them in their direct competition with new, higher priced Fuji and Kodak LFFPs. (SBr at 53).

The Court in *Sandvik* stated "[e]vidence of development in the industry could also be a factor tending to prove that *there is a reasonable expectation* that the part of the patented combination wears out quickly and needs frequent replacement." 121 F.3d at 674 (Emphasis added). The Court in *Sandvik* found "no evidence of large number of *customers* retipping . . . these drills or of companies (other than [infringer] E.J.) offering to retip these drills" *Id.* (Emphasis added). Therefore, the question is whether or not the existence of a "huge industry" tends to prove that there is a reasonable expectation by the customers who originally purchased single use cameras from complainant and its licensees that the single use cameras will be "reloaded." In this investigation the administrative law judge finds no evidence that a large number of consumers are seeking to "reload" their specific single use cameras and he finds no market for parts or services for repairing an original purchaser's single use camera. Thus, the administrative law

---

[58] There is evidence that respondents suppliers *purchase* LFFP bodies, from third parties. (FF 333).

judge finds that while the fact that a "huge industry and market" for the sale of remanufactured single use cameras may exist, that fact does not tend to prove that there exists a reasonable expectation by the original purchaser of the single use camera that his specific single use camera will be reloaded. Furthermore, while the respondents involved in the alleged "remanufacturing" argued that the fact that a huge industry and market has developed for the sale of remanufactured single use cameras weighs heavily in favor of a finding of permissible repair, said respondents have cited no precedent for the proposition that the protection of valuable intellectual property rights can be outweighed by the interests of a large number of infringers.

B. Quality Issue

Fuji, in support of its argument that respondents' alleged remanufacturing processes amount to a reconstruction and not a repair, argued that the "remanufactured" single use cameras sold by respondents have lower quality than Fuji's single use cameras and referred to evidence that it maintains supports that argument. (*See* CFF 2093-2160). Hence it argued that single use cameras are not designed for repeated use because there is "significant deterioration of picture quality with reuse." (CRBr at 39).

Respondents argued that any asserted differences in quality between a patented product as new and the product after use and "reconditioning" are legally irrelevant to the question of whether the "reconditioning" process constitutes permissible repair or modification, or the creation of a new product after the original as a whole has been spent, citing *Hewlett-Packard*, 123 F.3d at 1448, 1453; *General Electric Co. v. United States*, 572 F.2d 745, 782 n.14 (Ct. Cl. 1978); *Mallinckrodt, Inc. v. Medipart, Inc.*, 15 U.S.P.Q.2d 1113, 1115 (N.D. Ill. 1990), *vacated on other grounds*, 976 F.2d 700 (Fed. Cir. 1992); *Champion Spark Plug Co. v. Emener*, 16 F. Supp. 816, 820 (E.D.Mich. 1936). *See* JOCL 10 and

JOBr at 44-45. The administrative law judge does not find that those authorities support respondents' argument that quality evidence is "legally irrelevant" on the question of whether Fuji's single use cameras are designed for repeated use. Rather the administrative law judge finds that those cases are distinguishable from the evidence in this investigation. Thus in *Hewlett Packard* the Court in considering whether the alleged inferior quality of the accused device would support HP's position, stated that HP's unilateral intentions to insure quality through a single use of the product in issue cannot change the fact that ROT has only modified an "unused cartridge". 123 F.3d at 1453. Respondents here are not starting with an unused single use camera. In each of *General Electric. Mallinckrodt* and *Champion*,[59] the Court was not looking at the issue of the patentee's intended design of the product. The Court in *Sandvik* however did look at the intended design of the product. Thus the administrative law judge is looking at quality as evidence of complainant's intended design of the camera as a single use camera.

It is undisputed that the quality of pictures produced by a single use camera is important to consumers (non-objected CFF 2093). Fuji presented specific evidence showing tests of single use cameras performed by the [sic] David McNorrill who is the Quality Assurance (QA) Engineer for the Fuji's L Plant in Greenwood, South Carolina. The L Plant makes, recycles and tests Fuji QuickSnap brand one-time-use

---

[59] It is noted that in *General Electric* the Court found that in the overhauling, the parts for the overhauling were acquired from the patentee GE (572 F.2d at 782) which is not the case here. Also *Mallinckrodt* involved only a cleaning which is distinguishable from the accused actions in this investigation. (16 U.S.P.Q.2d at 1121). The Court in *Champion*, while it found that a right to repair survived abandonment, did not address any factors involved in repair but rather found for complainant on trademark infringement. (16 F. Supp. at 882).

cameras. One of McNorrill's responsibilities as QA Engineer of the L plant is to evaluate the quality of one-time-use cameras coming off the manufacturing line at the Fuji Greenwood manufacturing plant. To evaluate the quality of single use cameras, McNorrill uses a battery of tests which analyze various aspects of one-time-use cameras on a daily basis. CX-652 are the Fuji operating standards.[60] Those tests are performed by using the extensive testing equipment at the L Plant, some of which has been customized for the specific performance of the standard tests. Moreover using facilities at the L Plant, McNorrill takes standardized pictures using the tested cameras and develop and examine negative and prints made from those negatives. (CX-651 Q&A 1 to 6).

McNorrill subjected one-time-use cameras of various respondents, which appear to have been made by rebuilding used Fuji or Kodak empty bodies. McNorrill's overall conclusion, after testing hundreds of those one-time use cameras was that they were of lesser quality than Fuji cameras and exhibited a relatively high percentage of quality defects which affect picture taking. (CX-651, Q&A 7). McNorrill in his tests found that the accused single use cameras did not achieve consistently acceptable light tightness which it was concluded is probably because in certain instances, the rear body portion has been removed and reassembled. Moreover many of the products McNorrill tested exhibited light leak which affected the quality of at least one of the photos taken with the roll of film. (McNorrill CX-651, Q&A 4 to Q&A 8). The administrative law judge was able to observe the demeanor of McNorrill and found his testimony credible.

---

[60] McNorrill testified that most of the tests he performed are explained in CX-652 with the exception of the test for { } which "light shielding" test was done at the request of complainant's law firm. (Tr. at 1502).

CX-654 are the results of McNorrill's tests which he performed in the fall of 1997. At that time, he performed quality tests using new Fuji single use cameras off the line as the standard. He then tested approximately 200 "remanufactured["] single use cameras made by respondent Jazz and 200 "remanufactured" single use cameras made by respondent Fast Shot using the procedures and equipment normally used to test Fuji one-time-use cameras from the assembly line. The purpose of the evaluation was to check the quality of those single use cameras of respondents Jazz and Fast Shot. McNorrill's conclusion was that the quality of tested single use cameras made by Jazz and Fast shot was inferior in quality and not acceptable when compared to Fuji's standards. McNorrill in his tests found the following defects (CX-651, Q&A 12, CX-654):

Light leak (CX-655);
Poor picture quality such as poor magenta color balance;
visible scratches (CX-656);
Flash failures;
Jammed film;
Misnumbered shot counts;
Excessive flash re-charge time;
Loss of function after dropping;
Difficulty of removal of film cartridge;
Split (destroyed) film upon removal from cartridge; and
High humidity in storage bag.

McNorrill, in addition to the tests conducted in the fall of 1997 also made note of various component and structural modifications as well as a variety of problems which occurred during testing. A wide variety of batteries and film were found in the different types of tested single use cameras including ISO 400 film in the Fuji Type 4 which when originally sold by Fuji is sold with ISO 800 film. Further, some canisters were unmarked or contain as low as ISO 100 type film. Also the structural modifications he found

included gear teeth which had been melted onto the plastic spool of the film canister apparently using a hot iron, various tapes used to secure the rear body to the main case and close openings in the film path and changed film advance wheels. Also on several occasions when attempting to remove film from the canister, McNorrill found spilt and cracked film as well as scratches on the film. He also found one-time use cameras with replaced film advance wheels, such as certain OptiColor single use cameras. (CX-651, Q&A 11 to 15).

In July of 1998 McNorrill performed another set of tests of which the results are reported in CX-658. (*See* also CX-659 to 664). The tests were performed on 58 OptiColor, 52 Dynatec, 20 Achiever, 52 Jazz, 52 Linfa and 52 Fuji one-time-use cameras. Those results showed that the quality of the single use cameras was not significantly different from each other and considerably below that of Fuji's single use cameras. (CX-651, Q&A 16 to 26). In those tests McNorrill tested a sample of cameras using {

}

The purpose of those tests was to determine if the cardboard cover affected light tightness and therefore provided a light shielding function to close holes in the film patch as a result of the reassembly. McNorrill testified that the overall results of this testing showed that the cardboard inner carton has a significant function in shielding light; that the results for single use cameras with the cut board (cardboard) cover were that 2 out of 18 cameras tested had an unacceptable level of light fog, whereas the results for the "naked" single use cameras showed that 11 of the 18 had an unacceptable level of light fog; and that light fog is a deterioration of picture quality due to

exposure of the film from a light source other than through the picture taking lens. (CX-651, Q &A 16-19).[61]

In the July 1998 tests, while McNorrill found that of the 12 OptiColor cameras tested for usage quality all 12 produced good quality images (CX-658 at Test Item No. 6) and of 10 OptiColor cameras used to test shutter speed, all ten were within Fuji's own stated range for acceptable shutter speed (*Id.*, at Test Item 7), he found the following defects in the OptiColor single use camera, but not in the Fuji single use cameras (CX-659, CX-651, Q&A 21):

> 3 of 12 exhibited severe light leak problems after exposure to high intensity light, apparently due to structural defects (leaks) in the camera body (CX-660).
>
> 1 of 8 showed light leak after a { } drop and then exposure to a relatively lower light intensity, indicating weakened structural integrity;
>
> 2 of 14 had a loose battery or shifted counter after a repeated drop test, indicating weakened structural integrity; and
>
> 3 of 24 had either the first or last pictures cut off.

With respect to Dynatec's "remanufactured" single use cameras, McNorrill, referring to his July 1998 tests, testified that for four out of the eight tests conducted, "each one of the Dynatec's passed." (McNorrill, Tr. at 1536). However Fuji subjected different Dynatec single use cameras to eight different tests. In those tests McNorrill found (1) Two out of the ten Dynatec single use cameras tested failed the light shielding test with the cardboard cover; (2) Four out of six Dynatec single use cameras failed the light shield test without

---

[61] McNorrill noted Fuji tests its single use cameras without the inner cardboard wrapper in place at a substantially lower light intensity than the test with the inner cardboard wrapper in place in recognition of Fuji's understanding that the inner cardboard wrapper can contribute to light tightness.

the cardboard cover and the shutter blades stuck in one of these cameras; (3) All eight Dynatec single use cameras passed the first drop test; (4) All fourteen Dynatec single use cameras passed the second drop test; (5) Eleven of twenty-four Dynatec single use cameras failed the film counter accuracy test; (6) Two of ten Dynatec single use cameras exhibited shutter malfunctions causing overexposure of images in the image quality test; (7) The shutter blades stuck in two of ten Dynatec single use cameras during the shutter speed evaluation test; and (8) The average flash recycle time for the first and 27th shot of Dynatec single use cameras was outside of Fuji's standard. Different cameras were used for each test. (CX-658).

McNorrill also, in his July 1998 tests, found the following defects in the Jazz single use cameras, but not in the Fuji single use cameras (CX-651, Q&A 23):

> 4 of 10 exhibited light leak problems (3 severe) after exposure to high intensity light, apparently due to structural defects (leaks) in the camera body;
>
> 5 of 5 showed light leak after a { } and then exposure to a relatively lower light intensity, indicating weakened structural integrity; blurred pictures apparently from a loosened film path were also observed (CX-657);
>
> 2 of 14 had a loose battery, distorted images or shifted counter after a repeated drop test, indicating weakened structural integrity;
>
> 5 of 24 had picture number errors;
>
> 1 of 10 had poor picture quality resulting from a dirty lens (CX-662); and
>
> 1 of 10 had a stuck shutter blade.

McNorrill, in his July 1998 tests, further tested the quality of various brands of "remanufactured" single use cameras

including Jazz, Linfa, Achiever, OptiColor and Dynatec and he also checked two of each type of single use camera with no cut board at{ }(the standard test for cameras with the cardboard cover). His results were as follows (CX-651, Q&A 24):

I. The Fuji LFFPs substantially showed no fog on either roll of film (CX-663);

II. Jazz single use cameras showed severe fog on both rolls of film;

III. The Linfa single use cameras showed severe fog on one roll of film and substantially no fog on the other;

IV. The OptiColor single use cameras showed severe fog on both rolls of film; and

V. The Dynatec single use cameras showed severe fog on both rolls of film

Those results showed to McNorrill diminished light tightness of the "remanufactured" single use cameras compared to that of the original Fuji single use manufactured cameras. McNorrill further observed that based on his testing of "remanufactured" third party one-time-use cameras such as those of respondents' OptiColor, Jazz and Dynatec, after the welds, which hold the main body and rear cover together, are broken and the main body and rear cover (only the film roll door portion of the rear cover in the case of Dynatec) are reassembled by being taped back together, the resulting single use camera did not ordinarily have the same strength, durability or light tightness as the original welded single use camera; and that while before welding the rear cover and main body of new Fuji one-time-use cameras are held together by hooks or clamps that engage in aligned holes, in the main bodies and rear covers of the remanufactured OptiColor and Jazz one-time-use cameras many of the hooks

or clamps had been broken during "remanufacturing", especially in the case of OptiColor, which to McNorrill was an indication that the rear cover was pried open or the hooks and clamps were otherwise displaced with excessive force. McNorrill concluded that the tested "remanufactured" single use cameras were different in terms of quality and characteristics compared to an originally made Fuji QuickSnap brand one-time-use camera. (CX-651, Q&A 25 to 27).[62]

In addition to the work done by Fuji's McNorrill, the administrative law judge finds credible testimony from David M. Snook who testified at the hearing. Snook is the manager of worldwide recycling for the single use camera business of Eastman Kodak Company. (CX-700, Q&A 2-3). In 1997 Kodak became aware that certain third party companies were acquiring spent Fuji and Kodak single use cameras from photo finishers, "remanufacturing" the spent single use cameras and selling the "remanufactured" products as new single use cameras. {

} (CX-700 Q&A 24-26).

The brand names on the { } third party tested single use cameras by Snook were as follows: Jazz, Dynatec, Marc's,

---

[62] Jazz's own technical expert Heidke testified that he would not be confident in getting twenty-seven usuable shots out of a Jazz camera. (*See* Tr. at 3119, 3329 to 3331).

Arbor Drug, Rite-Aid, Focal, Wedding Camera and Party camera. (CX-700, Q&A 24, Q&A 27; CX-702 at 3). {

}

Respondents argued that even setting aside the "legal irrelevance" of quality evidence, the realization is reached that Fuji's evidence, rather than establishing the allegedly poor quality of respondents' LFFPs, only highlights the impossibility of using "quality" as a criteria for the repair reconstruction determination and reconfirms that such evidence of "quality" should be rejected. (JOBr at 119). It is argued that although there might be minute differences in quality between reloaded single use cameras sold by respondents and Fuji, there would be no significant differences that would be perceivable to the average consumer (JORCFF 2100) and that McNorrill's tests are not probative as (1) they are attempting to hold "repaired" cameras to the standards of new cameras,[63] (2) the tests

[63] It appears that this argument admits that the "remanufactured" single use cameras of Jazz and OptiColor are inferior in quality to new LFFPs.

indicated that Jazz cameras might not work if repeatedly dropped from a high height, and (3) some of McNorrill's tests were not even the standard tests for new cameras, but instead were "Larry Rosenthal's tests" (JORCFF 2096). However as McNorrill testified he used in his tests the "procedures and equipment normally used to test one-time-use cameras from the assembly line." (CX-651-Q&A 10).[64] There is in evidence test reports on testing of respondents' cameras obtained from respondents. (CX-876). However *no* individual from any third party testing lab appeared on behalf of respondents, *no* standards used to evaluate the pictures in said reports were set forth by respondents, nor were examples of the photographs referenced in said reports shown. *See* Lorenzini, Tr at 2959-2965. Moreover while OptiColor's Lass testified that in engaging potential customers as part of the process of obtaining new accounts one of the first things that is done is to send samples to the prospective buyer (Tr. {

}

Respondents, involved in the alleged "remanufacture," have taken the position that the quality of their cameras is high because the complaints are low. (Lass Tr. at 2002). However if for example a consumer buys a Fred Meyer OptiColor single use camera and shoots the roll of film and brings it to a photo processor the consumer gets back the

[64] CX-652 are the Fuji operating standards for McNorrill's tests. (CX-651, Q&A 5). The results of those tests are specifically set forth in CX-654. (CX-651 Q&A 12).

pictures and negatives. The consumer does not get back the camera. Nothing on the negative identifies that the camera used was a Fred Meyer camera and nothing indicates that OptiColor was connected with the cameras since OptiColor does not put its name on its products because it is primarily in the private label business. Thus if any complaint was made it would have been made to Fred Meyer and OptiColor's Lass had no personal knowledge of the exact procedure at Fred Meyer for dealing with customer complaint. (Tr. at 2002 to 2004).

Respondents Jazz and OptiColor have also argued that the skyrocketing sales of their LFFPs "attest to their acceptance by consumers." (JOBr at 125; JOFF 48; JORCFF 2127). Complainant, in response and relying on Snook Tr. at 1240-1241, 1257-1258, argued that there is no reliable evidence regarding the sale of remanufactured LFFPs, compared to the overall market. (CRRJFF 48). Assuming the evidence supports the argument of Jazz and OptiColor, it is a fact that respondents' single use cameras cost less than newly manufactured single use cameras. *See* section XIII, *infra*. Hence any commercial success can be due to the lower cost.

While it is a fact that Fuji has received complaints about the quality of its own originally manufactured single use cameras, including complaints about the film advance problems, flash errors and failures, light leakage, scratched lenses or lenses with foreign particles, scratched film, skipped frames, shutter problems, and cameras that do not produce all exposures (ROCX-44; Fukano Tr. at 1340; ROCX-26 at 169-170), the administrative law judge finds that the basis for Fuji's argument that the single use camera was not designed for repeated use because there is "significant deterioration of picture quality with reuse" is borne out by the controlled tests conducted by Snook and McNorrill. Thus the administrative law judge concludes that a difference in quality between newly manufactured single use cameras and the alleged

"remanufactured" single use cameras further supports the finding that Fuji did design its single use cameras with the intent that they should be disposed of after the single use by the purchaser from complainant and its licensees.

C. Conclusion

Based on the foregoing, the administrative law judge finds that the respondents, involved in the alleged "remanufacture" of single use cameras sold by complainant and its licensees and which have already had one roll of film exposed by the original purchaser, have not sustained their burden in proving by clear and convincing evidence that their "remanufacture" is a permissible repair. Rather the administrative law judge finds that the evidence established that those respondents are effectively recreating the patented single use camera of complainant and its licensees, and hence are involved in impermissible reconstruction.

D. Implied License

Federal Circuit precedent establishes that the purchaser's implied license to use a product includes the right to repair that product. Thus, the Court in *Sandvik* stated:

> "[W]hen Sandvik sold its patented drills to its customers *it granted them an implied* license to use the drill for its useful life . . . *and the implied license to use includes the right to repair the patented drill.*

Sandvik, 121 F.3d at 672 (Emphasis added). Furthermore the Court in *Kendall Co. v. Progressive Medical Tech. Inc*, 38 U.S.P.Q.2d 1917, 1920 (Fed. Cir. 1996) stated:

> When Kendall sold its patented SCD system to its customers it granted them an implied license to use the device for its useful life . . . *That implied license to use included the right to repair the patented article* and

> necessarily to purchase repair parts from others. (Emphasis added).

However, the Court in *Sandvik* made clear the implied license to use does not include the right to reconstruct. 121 F.3d at 673. *See* also *Hewlett* 123 F.3d at 1451.

The respondents, who remanufacture single use cameras, are not original purchasers as was the case in *Sandvik*, *Kendall* and *Hewlett*. However, the administrative law judge finds that question of whether the implied license to use the single use camera can transfer to those respondents, who are not original purchasers is moot, in view of the fact that the remanufacture involved impermissible reconstruction.

* * * *

[from *Final Initial and Recommended Determinations* pp. 202-215]

XII. DOMESTIC INDUSTRY

Complainant argued that it has proved, beyond contravention, that there exists in the United States an industry relating to the articles protected by each of the fifteen patents in issue so that the domestic industry requirement of sections 1337(a)(2) and (3) is fully satisfied. (CBr at 156-163).

The staff argued that complainant has established a domestic industry under at least prongs(A) and (B) of section 337(a)(3) for each of the patents at issue and the respondents have not challenged this showing. (SBr at 66-68).

While respondent Achiever did not contest the domestic industry requirement in its pre-hearing brief, it did argue in its post hearing brief that complainant cannot meet the domestic industry requirement on the ground that all three of the section 337(a)(3) criteria require that the domestic investment be "significant" or "substantial;" and that complainant's South Carolina plant "manufactures only a fraction of the

overall product," with a substantial portion of complainant's product still manufactured in Japan. Thus Achiever argued that complainant cannot meet the domestic industry requirement. (ABr at 32-33).

Section 337 prohibits unfair competition in the importation of articles that infringe a valid patent, provided that a domestic industry exists that exploits that patent. 19 U.S.C. § 1337(a)(2). The definition of domestic industry, as set forth in subsection 337(a)(3), reads:

For purposes of subparagraph (2), an industry in the United States, with respect to the articles protected by the patent . . . concerned—

a. significant investment in plant and equipment;

ii. significant employment of labor or capital; or

iii. substantial investment in its exploitation, including engineering, research and development, or licensing.

The domestic industry requirement is satisfied by meeting the criteria of any one of the three factors *supra*. *Certain Concealed Cabinet Hinges and Mounting Plates*, Inv. No. 337-TA-289, Comm.'s Op. at 1920 (1990). Complainant however bears the burden of establishing that the domestic industry requirement is satisfied. *Id.* at 22. Although there must be a domestic industry with respect to each asserted patent, there is no claim correspondence requirement as between the claims asserted against respondents and those practiced by the domestic industry. *Certain Microsphere Adhesives, Process for Making Same and Products Containing Same Including Self-Stick Repositionable Notes*, Inv. No. 337-TA-366, USITC Pub. 2949 (1996).

A. The Technical Prong

The parties appearing at the hearing stipulated that the LFFPs manufactured by Fuji in the United States are covered

by at least one claim of each of the asserted patents. (SX-3, ¶ 19). No respondents have challenged that fact. *See* also FF 64, 65, 66. Therefore the administrative law judge finds that the technical prong of the domestic industry is met.

B. The Economic Prong

Based on the evidence (FF 56 to 63, 67 to 78), the administrative law judge finds that complainant has satisfied its burden in establishing a domestic industry under at least prongs (A) and (B) of Section 337(a)(3) for each of the patents at issue.

XIII. Remedy And Bonding

Fuji is requesting the issuance of a general exclusion order and cease and desist orders as to the domestic respondents. (CBr at 165 to 171). Also relying on Commission rule 210.71(a), it is argued that it is imperative that any general exclusion order and any cease and desist order should include a requirement that all persons importing into the United States one-time-use cameras, which contend that their products do not infringe the asserted claims of the patents in issue, should be required to report this to the Commission and to Customs at the time of seeking entry together with an analysis of why such a person contends that such one-time-use cameras avoid such claims ("analysis"); that Customs can and should make the initial determination of non-infringement, if appropriate; that mere certification will not work, especially where determination of non-infringement from an exterior examination is not possible;[75] and that each

[75] Complainant, respondents Achiever, PSI and Argus and the staff have stipulated that one cannot determine whether or not any claim of any patent asserted by complainant against respondents Achiever and PSI in this investigation is or is not infringed by an examination of the exterior of a camera made by respondent Achiever in the form in which it is imported into the United States. (SX-2)

respondent subject to a cease and desist order should be required to report to the Commission as to the disposition of its inventory at the time of the issuance of the Commission's cease and desist orders. (CBr at 171-172). Fuji has further requested a bond of three hundred percent during presidential review. (CBr 172 to 173).

Jazz and OptiColor argued that, in the event relief is granted in favor of Fuji on the ground of "reconstruction," any exclusion order must be tailored to the LFFPs found to have been reconstructed. Thus it is argued that "if it is determined that the replacement of the film, batteries, and paper is permissible repair, but that replacement of a plastic tab is reconstruction, then the exclusion must be limited to those devices in which the plastic tab has been replaced." (JOBr at 146). Jazz and OptiColor argued, with respect to any bond, that the most appropriate calculation of the amount of a bond sufficient to protect Fuji from injury is based upon the royalty rate received by Fuji under its license agreement with Concord Camera Corp. (JOBr at 146-148).

Respondent Achiever argued that it is imperative that any exclusion and cease and desist order entered be tailored to prohibit importation of only those cameras that embody the elements of the infringed claims; that the prerequisites to a general exclusion order under 19 U.S.C. 210.50(c) are not found; and that entry of a general exclusion order or a broad cease-and-desist order prohibiting importation of *all* single-use cameras would result in a windfall to Fuji. (ABr at 33 to 35).[76] Achiever, with respect to any bond, argued that

---

[76] Respondent Achiever also argued that a general exclusion order would quash public interest concerns such as the effect of any exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States and United States consumers. (ABr at 35). Arguments however as to public interest should be made to the Commission and not to the administrative law judge. *See* Commission rule 210.50(b)(1).

under no circumstances should the bond exceed the price differential between the Fuji camera and the product of the respondents. (ABr at 35-36).

Respondents Argus, China Film and Sakar argued that "equity and good conscience" merit a non-remedy determination. (ACSBr at 17-18).

The staff argued that the evidence demonstrates that a general exclusion order against the importation of infringing LFFPs is appropriate, should a violation be found. It also argued that circumstances exist in this investigation that permit the conclusion that each of the domestic respondents to this investigation maintain a commercially significant domestic inventory of the accused LFFPs, and that thus cease and desist orders are warranted. (SBr at 68-70). The staff does not believe that a reporting or certification requirement in conjunction with a general exclusion order has been demonstrated to be necessary or appropriate although it represented that the Commission routinely includes in its cease and desist orders a requirement that each respondent regularly report to the Commission certain information regarding its importation, sales and inventory of covered products and that the staff is unaware of any reason to deviate from this standard provision in this investigation. (SBr at 71). With respect to any bond, the staff argued that a bond of one hundred percent of the entered value will protect complainant from injury by eliminating, or at least reducing, the price differential and that such a bond is also appropriate in light of the wide range of prices involved. (SBr at 71-72).

In *Certain Airless Paint Spray Pumps and Components Thereof*, Inv. No. 337-TA-90, USITC Pub. 1199 at 17, 216 U.S.P.Q. 465, 472-73 (1981) (*Spray Pumps*) a general exclusion order was deemed appropriate when there is proof of (1) a widespread pattern of unauthorized use of the patented invention, and (2) certain business conditions from

which one might reasonably infer that foreign manufacturers other than respondents to the investigation may attempt to enter the U.S. market. *Id.*

In 1994, statutory standards on the issuance of general exclusion orders were adopted in the amendments to Section 337, adding a new subsection to Section 337(d) that states:

> (2) The authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines that—
>
> > (A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or
> >
> > (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products.

19 U.S.C. § 1337(d)(2) (effective January 1, 1995); *see also* Commission rule 210.50(c) (incorporating the statutory standards into the Commission rules). Those standards "do not differ significantly" from the *Spray Pumps* standards. *Certain Neodymium-Iron-Boron Magnets*, Inv. No. 337-TA-372, Commission Opinion on Remedy, the Public Interest and Bonding at 5 USITC Pub. No. 2964 (1996) (*Magnets*). *See* also *Certain Agricultural Tractors*, Inv. No. 337-TA-380, 44 U.S.P.Q.2d 1385, 1397-1404 (1997) (General exclusion order granted) (*Tractors*).

In *Spray Pumps*, the Commission pointed out that a complainant

> should not be compelled to file a series of separate complaints against several individual foreign manufacturers as it becomes aware of their products in the U.S. market. Such a practice would not only waste the

> resources of the complainant, it would also burden the Commission with redundant investigations. (Comm'n Op. at 30).

That consideration must be balanced against the potential of a general exclusion order to disrupt legitimate trade. *Id.* With this balance in mind, the Commission concluded that it would

> "require that a complainant seeking a general exclusion order prove both a widespread pattern of unauthorized use of its patented invention and certain business conditions from which one might reasonably infer that foreign manufacturers other than the respondents to the investigation may attempt to enter the U.S. market with infringing articles." *Id.*

The Commission in *Spray Pumps* then set out the following factors as relevant in demonstrating whether there is a "widespread pattern of unauthorized use":

> (1) a Commission determination of unauthorized importation into the United States of infringing articles by numerous foreign manufacturers;
>
> (2) the pendancy of foreign infringement suits based upon foreign patents which correspond to the domestic patent at issue; and
>
> (3) other evidence which demonstrates a history of unauthorized foreign use of the patented invention.

Id.

The Commission in *Spray Pumps* also identified the factors relevant to showing "certain business conditions" as including:

> (1) an established market for the patented product in the U.S. market and conditions of the world market;
>
> (2) the availability of marketing and distribution networks in the United States for potential foreign manufacturers;

(3) the cost to foreign entrepreneurs of building a facility capable of producing the patented article;

(4) the number of foreign manufacturers whose facilities could be retooled to produce the patented article; or

(5) the cost to foreign manufacturers of retooling their facility to produce the patented article.

Id. at 31-32.

The administrative law judge finds that there is evidence that a general exclusion order against the importation of infringing LFFPs is appropriate. Thus he finds that there is a widespread pattern of unauthorized use of complainant's patents. For example there is evidence of imports or sales by each of the original respondents to this investigation (except Opticam) (FF 6 to 53). Jazz identified ten suppliers located in both Korea and China and other respondents identified still others. (FF 347, 348). Also additional entities believed involved in section 337 violations have been indicated. (FF 349, 351). In addition in the last few years, the amount of infringing product and the number of entities involved have increased. (FF 352, 353). Furthermore it is often difficult to trace the origin of the imported LFFPs because certain imported LFFPs do not identify the manufacturer on the packaging. (FF 350).

With regard to the "certain business conditions" which constitute the second prong of the *Spray Pumps* test, the substantial sales of one-time-use cameras in the United States clearly demonstrate an established market for the patented product in the U.S. market, and in fact throughout the world. (FF 337, 352, 354). The success of the respondents in distributing their goods, both in the premium and retail markets, demonstrates the availability of marketing and distribution networks in the United States for potential foreign manufacturers. (FF 352, 353). Moreover additional reloading facilities can be set up with a minimal cost. (FF 355, 356).

Based on the foregoing the administrative law judge recommends issuance of a general exclusion order.[77]

As to any cease and desist orders, 19 U.S.C. § 1337(f) permits the Commission to issue, in lieu of or in addition to an exclusion order, a cease and desist order directing persons found to have violated Section 1337 "to cease and desist from engaging in the unfair methods or acts involved . . . ." The Commission has ruled that: "In general, cease and desist orders are warranted with respect to domestic respondents that maintain commercially significant U.S. inventories of the infringing product," and domestic respondents who have been defaulted are presumed to maintain significant inventories of infringing products in the United States and are likewise subject to cease and desist orders. *Tractors*, 44 U.S.P.Q. at 1404, n. 124. In this investigation, several respondents, including at least AmerImage, Argus Industries, Boecks Camera, BPS Marketing, China Film Equipment, Dynatec, Jazz, Opticolor, Penmas, Philmex, PSI, Sakar, TDA, Vantage, and Vivitar, provided information as to the inventory levels, all of which appear to be of a commercially significant level. (*See* CX-830). Based on the foregoing, the administrative law judge recommends cease and desist orders against each of the domestic respondents, *viz.* respondents Ad-Tek, Argus, Boecks, BPS, Dynatec, FastShot, Forcecam, Haichi, Innovative, Jazz, Klikit, Labelle OptiColor, Penmax, PhilmEx, PSI, Rainbow, Sakar, TDA, Vantage and Vivitar.

---

[77] While respondent Achiever argued that any exclusion order should not cover "all" single use cameras, but be tailored to prohibit importation of only those cameras that embody the elements of the infringed claims, as the staff argued (SRBr at 25), Commission orders are always tailored to exclude only products covered by the claims in issue. In this investigation while it has been stipulated that certain subtypes of a Type 6 LFFP do not infringe certain claims in issue, it has been found that those subtypes infringe other claims in issue. *See* Section VI B *supra*.

Complainant argued that any general exclusion order and any cease and desist order should include an "analysis". Complainant admits that a "mere certification" will not work. In *Magnets*, Comm'n Op. at 11, this administrative law judge found that testing was preferred to certification because certification would be ineffective at halting the importation of infringing magnets. The Commission agreed with this administrative law judge's indications that a certification provision in the general exclusion order would be inappropriate because magnet importers have been willing to misdescribe or mislabel goods to avoid problems with Customs and infringing magnets can be identified by testing and further found that the willingness on the part of importers to misdescribe or mislabel goods to Customs suggests that they would be equally willing to falsify a certification to Customs. In addition the Commission found that because there was no clear showing in the record what the volume of imported infringing magnets was likely to be, it was uncertain to what extent a certification procedure would be less burdensome for Customs than performing tests on incoming magnets. It noted however that the issuance of a general exclusion order was likely to reduce the volume of infringing magnets sought to be imported into the United States, thereby reducing the burden on Customs to test incoming magnets; and that the issuance of a cease and desist order would also likely reduce the level of imports which will also reduce the flow of infringing magnets and thus reduce the burden on Customs to test incoming magnets. *Magnets*, Comm'n Op. at 11-12.

In this investigation, in view of the large number of respondents, who did not even participate in the hearing, and the respondents in default the administrative law judge finds that the complainant has not shown that the requested "analysis" would be effective in providing complainant complete relief. Moreover it is a fact, as indicated by Bellows' testimony, that on disassembly of the single use cameras infringement can be determined. Also the issuance

of cease and desist orders to the large number of domestic respondents should likely reduce the level of imports and thus reduce the burden on Customs of testing. With respect to complainant's argument that each domestic respondent subject to a cease and desist order should be required to report to the Commission its inventory, because the Commission routinely includes in its cease and desist orders a requirement that a respondent, subject to a cease and desist order, regularly report to the Commission certain information regarding its importation, sales and inventory of covered products, the administrative law judge finds Fuji's requested inventory reporting requirements in any cease and desist order unnecessary.

Bonding

Section 1337(j) provides for the entry of infringing articles upon the payment of a bond during the 60-day Presidential review period. The bond is to be set at a level sufficient to "protect complainant from any injury" during the Presidential review period. 19 U.S.C. § 1337(j), Commission rule 210.50(a)(3). In *Tractors*, 44 U.S.P.Q.2d at 1406 (1997), the Commission set a bond of 90% of entered value, based on the comparative pricing evidence of record, complainants' statement that a bond of 90% would adequately protect their interests and the absence of objection by any other party. In *Certain Hardware Logic Emulation Systems*, USITC Inv. No. 337-TA-383 Comm'n Op. filed Dec. 10, 1997, (*Hardware*) the Commission set a two-tiered bond.[78] The first tier was at 43% of transaction value based on price differentials which was to apply when the imports were at transaction value. The second tier amount was at 180%, *only* to ensure that the

[78] In *Hardware* in issue were hardware logic emulations systems and components thereof that were used in the semiconductor manufacturing industry to design and test the electronic circuits of semiconductor devices. (Comm'n Op. at 1). Retail prices for a system were in the over $100,000 bracket.

amount of any revenue ultimately forfeited to complainant remained at the 43% level in the event respondents' importations were appraised using a valuation method other than transaction value. (Comm'n Op. at 57).

{

} There is testimony that "[r]emanufacturers appear to be selling their 15 exposure non-flash one-time-use camera at around { } with a low of { } and flash one-time-use camera at an average of { } and as lows as { }." (Hafenscher CX-761 Q&A 15). Also prices for complainant's single use cameras have varied. Thus with respect to the average retail price at which Fuji's one-time-use cameras are sold in the United States, the average retail price range for QuickSnap Flash one-time-use cameras with 27 exposures in 1997 was { } while in 1998, the range was from { } The average wholesale price of such one-time use cameras of Fuji, in 1997, was between { } In 1998, the wholesale price range was from { } per camera. (Baer CX-614 Q&A 55, 56). There is also testimony that Fuji's average price of 15 exposure non-flash one-time and cameras is around { } while Fuji's average selling price of 15 exposure flash one-time-use cameras is around { }(Hafenscher CX-761 Q&A 14).

{

} the administrative law judge finds, in view of the price variations, that it is impossible to calculate what level of bond based on price differentials will protect complainant from any injury. Hence he finds it appropriate to recommend a bond of 100 percent of entered value. *See*

Magnets Comm'n Op. at 15 ("[where] it is impossible . . . to calculate what level of bond based on price differentials will protect a complainant from any injury, it is appropriate to issue a bond or [sic] 100 percent of entered value . . . of the goods in question").

ADDITIONAL FINDINGS

1. Single-use cameras (also known as "lens-fitted film packages" or "LFFPs") are relatively inexpensive, disposable cameras which are pre-loaded with film and a film cartridge so that after use, all of the film has been advanced into the film cartridge. (Baer CX-614, Q&A 9; Bellows CX-725 Q&A 27).

2. Fuji is a business entity organized and existing under the laws of Japan with wholly owned subsidiaries in the United States. (SX-3).

3. While best known in the United States for its photographic products, complainant also manufactures and sells, throughout the world, magnetic information storage media, non-photographic imaging devices, medical and scientific imaging devices and other products. While it maintains manufacturing facilities in other locations within the United States, Fuji has, over the years, developed a major manufacturing complex in Greenwood, South Carolina operated by an indirect wholly owned subsidiary, Fuji Photo Film, Inc. (Fuji Greenwood). Among the products manufactured in Greenwood, South Carolina are photographic paper, film and one-time-use cameras (LFFPs). (CPX-17, Ogura, Tr. at 579-580, Croker, Tr. at 2450-2455).

4. Fuji invented and marketed the first commercially successful one-time-use camera, sold in Japan as "film with lens". Fuji has licensed Kodak, Konica and Concord to manufacture and sell one-time-use cameras. Although Fuji has sought termination of the Concord agreement, the propriety of that termination is the subject of litigation in the

Southern District of New York, the termination being stayed pending the outcome of the litigation. (Omura, CX-650 at Q&A 21, Q&A 24, CX-621, CX-622, CX-623).

5. Mr. Ogura described the business of Fuji as follows:

> Q Mr. Ogura, could you please describe the business of Fuji Photo Film?
>
> A Fuji Film is a company that began in the business of movie film and that developed into a business of various types of photo film. For example, photographic film for general use, medical films such as x-rays and printing for the graphic arts.
>
> But we've also developed businesses in the areas of peripheral devices such as cameras and film processes. In addition to the chemical imaging of photographic film we've also recently developed into the areas of electric imaging. An example of this in the area of medicine would be diagnostic devices for computerized radiography. And in the realm of science and research, the bioanalyzers being used.
>
> The Fuji Film has also had its hand in magnetic resonance imaging. In areas other than medicine, Fuji has also been involved in products for computers such as high density floppy discs and high density recording tape. These are representative examples of the various areas in which we have developed our business in the fields of both imaging and information.

(Ogura, Tr. at 578-580).

* * * *

[from *Final Initial and Recommended Determinations* pp. 219-220]

20. Respondent Dynatec is a corporation with its principal place of business at 3820 West Great Lakes Drive, Salt Lake City, Utah 84120. (SX-3, par. 6), and that Dynatec imports into and sells in the United States LFFPs at least under the

trademark "Fun Pak" and "Dollar General". (SX-3, par. 14; CX-140 to 145). Dynatec has produced various types of LFFPs during discovery in this investigation. Further, Complainant has obtained through its own investigation samples of Dynatec and Dollar General LFFPs. (CPX-166-167; CPX-188 to 193; CPX-390; CPX-392-393; CPX-396). Dynatec is offering for sale or selling newly manufactured products which contain features of both types 2 and 4 as well as remanufactured Types 4, 7 and 7A. (CPX-166-167; CPX-188 to 193).

21. Dynatec has admitted importation and sale of LFFPs from its supplier Changzhou Chang Feng Camera Co. Ltd. in China. The Dynatec LFFPs are marked "Made in China" and were purchased in the United States. (CX-146A).

* * * *

[from *Final Initial and Recommended Determinations* pp. 221-222]

29. Respondent Jazz is a corporation with its principal place of business at 600 Blair Road, Carteret, NJ 07008. (SX-3, par. 7).

30. Respondent Jazz imports into and sells in the United States remanufactured LFFPs at least under the trade names "Jazz DZ35" and "Jazz DZ50" and under the trade names and trademarks of its customers including "Drug Guild", "CVS", "Metro", and "Bell & Howell". (SX-3, par. 15; CPX-197 to 201; CPX-447 to 459; CX-209). Jazz has produced LFFPs as well as documentation including customer lists and invoices from Jazz to customers including Albertson's and Wal-Mart. (CX-226; CX-232). Additionally, complainant through independent investigation has purchased LFFPs. Jazz imports and sells at least Types 2, 3, 4, 7 , 7A and 8 LFFPs. (CPX-162).

31. The Jazz LFFPs are marked "Camera assembled in China" and were purchased in the United States. Jazz has admitted in answers to interrogatories, document requests and

in depositions to purchase and import LFFPs from various suppliers including: Advance Tech. Int'l, Peji, Leader Peak, Boshi, VastFame, Mass Chance, Wing Kai, Ginfax, Tom Da and Rino. (CX-204; CX-220; Szeto, CX-236 at 26).

* * * *

[from *Final Initial and Recommended Determinations* pp. 223-224]

36. Respondent OptiColor Inc. is a Washington corporation, wholly owned by Seattle Film Works, with its principal place of business at 3213 West Wheeler Street, Seattle, WA 98199 and that OptiColor imports into and sells in the United States remanufactured LFFPs at least under the trade names "OpitiColor Camera," "Wedding Camera", "Hooters", "Snap Sights", "REI", "Fred Meyer", "Halloween Camera", "Opticam", "Seattle Film Works" and "One-Time Underwater Camera" and a camera with an image of a white shirt and red bowtie as well as imprinted with the trademark and trade names of its other customers. (SX-3, par. 16; CPX-205 to 210; CPX-506 to 536). OptiColor is selling at least Types 2, 4 and 6. (CPX-205 to 210). OptiColor produced numerous LFFPs and documents including invoices and customer lists. (CX-320; CX-330; CX-335). Complainant has through independent investigation obtained LFFP samples both directly and indirectly from OptiColor, Fred Meyer and Seattle Film Works. (CX-286).

37. OptiColor's current packaging is represented on its camera with packaging submitted as exhibit RPOC 1. This includes both a warranty and a statement that the manufacturer does not participate in the reconditioning or warranty of the camera:

> This film and camera will be replaced if defective in manufacture or packaging, or if damaged. Except for such replacement, the sale, processing or handling of this film and camera is without warranty or liability even though defect, damage, or loss is caused by negligence

or other fault. Since color dyes may in time change, this film and camera will not be replaced for, or otherwise warranted against, any change in color.

CAMERA MADE IN JAPAN, RECONDITIONED, RECYCLED, AND ASSEMBLED IN CHINA. ORIGINAL MANUFACTURER DOES NOT PARTICIPATE IN RECONDITIONING, RECYCLING, OR WARRANTY.

(Tr. Lass at 1929, 1934; RPO 1).

* * * *

[from *Final Initial and Recommended Determinations* pp. 229-233]

54. Complainant is the owner, by assignment, of each of the 15 patents in suit. (SX-3 at 1). Twelve of the patents in suit are utility patents and three are designed patents. Of the utility patents, 11 are directed to the structure of LFFPs and one, U.S. Patent No. 4,972,649, is directed to methods of assembling (in loading) film into LFFPs. (CX 1 to 15).

55. [THERE IS NO FF 55].

56. One of Fuji's U.S. subsidiaries, Fuji Photo Film, Inc. (Fuji Greenwood) maintains a complex of manufacturing plants in Greenwood, South Carolina, which employs about 1200 people. (Croker, CX-631 at Q&A 2 and Q&A 14).

57. Among the factories in the Fuji Greenwood complex is a plant devoted to the manufacture of Fuji one-time-use cameras, identified as the L Plant. (Croker, CX-631 at Q&A 4; Croker, Tr. at 2451).

58. Fuji's L Plant in Greenwood, South Carolina, which manufactures Fuji one-time-use cameras is approximately 120,000 square feet in size. Fuji is in the process of adding new space and will increase the total size of the factory to approximately 170,000 square feet. (Croker, Tr. at 2450).

59. Fuji has invested approximately { } dollars in the Greenwood L Plant, dedicated to the manufacture and recycling of one-time-use cameras. The expansion of the L Plant facility will increase Fuji's total investment to approximately { } dollars. (Croker, CX-631 at Q&A 12).

60. From the commencement of manufacture of one-time-use cameras at the L Plant in June, 1995, through December, 1997, Fuji spent approximately { } on materials, { } on outside labor, { } on supplies, { } on maintenance and { } on utilities, in connection with the manufacture and recycling of one-time-use cameras at the Fuji Greenwood L Plant. Also, since June, 1995, through December, 1997, the Greenwood factory has paid approximately { } in salaries, plus fringe benefits of about { } and over { } in property tax relating to the manufacture of its one-time-use cameras. (Croker, CX-631 at Q&A 13).

61. Of the approximately 1,200 people are [sic] employed in the entire Greenwood facility, approximately 105 are dedicated solely to the manufacture and recycling of Fuji one-time-use cameras. This 105 includes engineers, technicians, machine operators and maintenance workers. (Croker, CX-631 at Q&A 14).

62. Fuji's L plant in Greenwood, South Carolina also employs approximately 70 to 80 temporary employees that work in the L Plant manufacturing and recycling facility. (Croker, Tr. at 2450-2451).

63. Fuji's Greenwood, South Carolina facility employs 200 workers who provide human resources, computer, accounting and other support services to the L Plant and other Fuji facilities in Greenwood. Fuji also employs outside contractors for security, grounds maintenance, shipping and food service, who support the L-Plant. Furthermore, many of

the raw materials used by the L-Plant are purchased from domestic vendors. (Croker, Tr. at 2454-2455).

64. CPX-90 and 92 are, respectively, Type 1 and Type 4 Fuji one-time-use cameras with flash made in Greenwood, South Carolina. (Croker, CX-631 at Q&A 6 and Q&A 8).

65. Fuji Greenwood manufactures one-time-use non-flash versions of Type 1 and Type 4 one-time-use cameras (CPX-91, CPX-93) and a waterproof version of a Type 1 camera. (Croker, Tr. 2451-2453). The waterproof camera made at the Greenwood facility is basically the non-flash version of CPX-90, housed in a waterproof shell. (Croker, Tr. at 2451-2452).

66. Fuji Greenwood molds the front cover, main body, rear cover, mechanical unit frame and lenses using in-house molding machines. Fuji Greenwood assembles the mechanical unit in the one-time-use cameras and packages the assembled cameras. All of the components mounted on the mechanical unit frame except the lenses are purchased from domestic vendors, as is the battery. The laminated film packaging material, flash contact, flash unit and 35 mm film are imported. (Croker, CX-631 at Q&A 18).

67. Fuji also maintains a recycling facility at Fuji Greenwood. (Croker, CX-631 at Q&A 24, Q&A 27).

68. Fuji manufactured approximately { } one-time-use cameras in 1997 at the Greenwood facility. (Croker, Tr. at 2453).

69. Fuji manufactured approximately { } one-time-use cameras during the first half of 1998 in the Greenwood facility. (Croker, Tr. at 2453).

70. Fuji makes about { } Type 1 one-time-use cameras per month in the Greenwood factory. (Croker, CX-631 at Q&A 7).

71. Fuji makes about { } Type 4 one-time-use cameras per month in the Greenwood factory. (Croker, CX-631 at Q&A 9).

72. As of last year, Fuji was exporting about { } one-time-use cameras per year which were made in the Greenwood facility, for sale outside of the United States. (Croker, CX-631 at Q&A 10).

73. Fuji one-time-use cameras are sold in the United States by Fuji Photo Film U.S.A., Inc. headquartered in Elmsford, New York, an indirect wholly owned subsidiary of Fuji Japan. (Baer, CX-614 at Q&A 2-6).

74. Fuji's one-time-use cameras are sold in retail and wholesale channels of commerce under the QuickSnap trademark, as well as under the trademarks of third parties, either as a premium item or as an item intended for retail sale of the brand name of the retailer. (Baer, CX-614 at Q&A 12 and Q&A 42).

75. Today, most of the one-time-use cameras sold by Fuji Photo Film U.S.A., Inc. come from Fuji Greenwood, while the balance is obtained from Fuji Japan. (Baer, CX-614 at Q&A 44).

76. Sales for retail distribution are handled by a nation-wide network of region sales offices and local salesmen. (Baer, CX-614 at Q&A 46).

77. Sales for the premium market are handled by { } groups of sales representatives located around the country. (Hachenscher, CX-761 at Q&A 16).

78. Approximately 150 employees of Fuji Photo Film U.S.A., Inc. are involved at least in part in the marketing and sales of one-time-use cameras. They are located in seven offices around the country and in 29 states. (Baer, CX-614 at Q&A 47).

* * * *

[from *Final Initial and Recommended Determinations* pp. 341-351]

CONCLUSIONS OF LAW

1. The Commission has *in rem* jurisdiction, subject matter jurisdiction and *in personam* jurisdiction.

2. There has been an importation of certain lens-fitted film packages in issue which are the subject of the unfair trade allegation.

3. There is a domestic industry defined by claims in issue.

4. The claims of the patents in issue are valid and enforceable and there is no implied license with respect to estoppel.

5. Accused lens-fitted film packages of respondent Achiever infringe

Patent '495 Claims 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claim 7
Patent '857 Claim 22
Patent '649 Claim 9
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '168 Claim 1

6. Accused lens-fitted film package of respondent Ad-Tek infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1

Patent '685 Claims 1, 28
Patent '168 Claims 1, 13
Patent '288 Claims 1, 7

7. Accused lens-fitted film packages of respondent Argus infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 7, 8
Patent '857 Claims 1, 19, 22
Patent '649 Claims 1 and 9
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13
Patent '288 Claims 1, 7

8. Accused lens-fitted film packages of respondent BPS infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19, 22
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

9. Accused lens-fitted film packages of respondent Boecks infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8

Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

10. Accused lens-fitted film packages of respondent Boshi infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 7, 8
Patent '857 Claims 1, 19, 22
Patent '649 Claim 1
Patent '400 Claim 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13
Patent '288 Claims 1, 7

11. Accused lens-fitted film packages of respondent China Film infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

12. Accused lens-fitted film packages of respondent Dynatec infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 7, 8
Patent '857 Claims 1, 19, 22
Patent '649 Claims 1 and 9
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13
Patent '288 Claims 1, 7

13. Accused lens-fitted film packages of respondent Fast Shot infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims l, 11
Patent '111 Claim 1
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

14. Accused lens-fitted film packages of respondent Forcecam infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16

Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

15. Accused lens-fitted film packages of respondent Haichi infringe

Patent '495 Claims 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 7, 8
Patent '857 Claims 1, 19, 22
Patent '649 Claim 9
Patent '400 Claims 14, 16

16. Accused lens-fitted film packages of respondent Jazz infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 7, 8
Patent '857 Claims 1, 19, 22
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

17. Accused lens-fitted film packages of respondent Klikit infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 7, 8
Patent '857 Claims 1, 19, 22
Patent '649 Claims 1 and 9

Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

18. Accused lens-fitted film packages of respondent Linfa infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

19. Accused lens-fitted film packages of respondent OptiColor infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 7, 8
Patent '857 Claims 1, 19, 22
Patent '649 Claims 1 and 9
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

20. Accused lens-fitted film packages of respondent Penmax infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

21. Accused lens-fitted film packages of respondent PhilmEx infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

22. Accused lens-fitted film packages of respondent PSI infringe

Patent '495 Claims 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 7
Patent '857 Claims 19, 22
Patent '649 Claims 1, 9
Patent '400 Claims 14, 16
Patent '168 Claim 1

23. Accused lens-fitted film packages of respondent Rainbow infringe

Patent '495 Claims l, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claims 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

24. Accused lens-fitted film packages of respondent Rino infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

25. Accused lens-fitted film packages of respondent Sakar infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16

Patent '364 Claims 1, 11
Patent '111 Claim 1
Patent '200 Claims 1, 15, 23, 25
Patent '685 Claims 1, 28
Patent '168 Claims 1, 13

26. Accused lens-fitted film packages of respondent T.D.A. infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claims 1, 8
Patent '857 Claims 1, 19
Patent '649 Claim 1
Patent '400 Claims 14, 16

27. Accused lens-fitted film packages of respondent Vantage infringe

Patent '495 Claims 1, 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claim 1
Patent '857 Claim 19
Patent '649 Claim 1
Patent '168 Claim 1

28. Accused lens-fitted film packages of respondent Vivitar infringe

Patent '495 Claims 5, 6, 9, 11
Patent '774 Claims 14, 15
Patent '087 Claim 7
Patent '857 Claim 22
Patent '649 Claim 9
Patent '400 Claims 14, 16
Patent '364 Claims 1, 11
Patent '168 Claim 1

29. Complainant has not sustained its burden in establishing infringement by respondent Opticarn.

30. Complainant has not sustained its burden in establishing infringement of the design patents in issue, *viz.*, the D '10 1, D '722 and D '750 patents.

31. The respondents, involved in alleged remanufacturing, are recreating the patented single use camera of complainant and its licensees and hence their actions are impermissible reconstruction.

32. Respondents, with the exception of respondent Opticam, are in violation of section 337, based on their importation into the United States, sale for importation, and/or sale within the United States after importation of articles that infringe valid and enforceable United States patents.

33. Based on respondents' violation of section 337, it is recommended that a general exclusion order be entered.

34. Based on respondents' violation of section 337, it is recommended that cease and desist orders be entered against the following twenty-one domestic respondents, *viz.*, Ad-Tek, Argus, Boecks, BPS, Dynatec, Fast Shot, Forcecam, Haichi, Innovative, Jazz, Klikit, Labelle, OptiColor, Penmax, PhilmEx, PSI, Rainbow, Sakar, TDA, Vantage, and Vivitar.

35. A bond of 100% of entered value during Presidential review is recommended.

ORDER

Based on the foregoing opinion, additional findings of fact, conclusions of law, and the record as a whole, and having considered all of the pleadings, evidence and arguments presented orally and in briefs, as well as certain proposed findings of fact, it is the administrative law judge's final initial determination that there is a violation of section 337 in the importation into the United States, sale for importation,

and the sale within the United States after importation of certain lens-fitted film packages. It is also the administrative law judge's recommendation that cease and desist orders against domestic respondents and a general exclusion order should issue and that a bond of 100% of entered value during Presidential review should be imposed.

The administrative law judge hereby CERTIFIES to the Commission his final initial and recommended determinations together with the record consisting of the exhibits admitted into evidence and ALJ Ex. 1 (U.S. Patent No. 4,222,690). The pleadings of the parties filed with the Secretary and the transcript of the hearing, including closing arguments, are not certified, since they are already in the Commission's possession in accordance with Commission rules of Practice and Procedure.

Further it is ORDERED that:

1. In accordance with Commission rule 210.39, all material heretofore marked *in camera* because of business, financial, and marketing data found by the administrative law judge to be cognizable as confidential business information under Commission rule 201.6(a) is to be given *in camera* treatment continuing after the date this investigation is terminated.

2. Counsel for the parties shall have in the hands of the administrative law judge those portions of the final initial and recommended determinations which contain bracketed confidential business information to be deleted from any public version of said determinations, and all attachments thereto, no later than March 12, 1999. Any such bracketed version shall not be served by telecopy on the administrative law judge. If no version is received from a party it will mean that the party has no objection to removing the confidential status, in its entirety, from the initial and recommended determinations.

3. The final initial determination portion of the "Initial and Recommended Determination," issued pursuant to Commission rule 210.42(h)(2), shall become the determination of the Commission forty-five (45) days after the service thereof, unless the Commission, within forty-five (45) days after the date of such service of the initial determination portion shall have ordered review of that portion or certain issues therein or by order has changed the effective date of the initial determination portion. Any findings and recommendation, made by the administrative law judge in said recommended determination portion, issued pursuant to Commission rule 210.42(a)(1)(ii), will be considered by the Commission in reaching a determination on remedy and bonding pursuant to Commission rule 210.50(a).

/s/ Paul J. Luckern
PAUL J. LUCKERN
Administrative Law Judge

Issued: February 24, 1999

APPENDIX D

UNITED STATES INTERNATIONAL
TRADE COMMISSION
Washington, D.C.

Inv. No. 337-TA-406

In the Matter of
CERTAIN LENS-FITTED FILM PACKAGES

GENERAL EXCLUSION ORDER

The Commission has determined that there is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the unlawful importation and sale of certain lens-fitted film packages, also known as one-time use cameras, single use cameras, and disposable cameras, that infringe certain claims of one or more of the following 15 patents: U.S. Letters Patent 4,833,495, 4,855,774, 4,884,087, 4,954,857, 4,972,649, 5,063,400, 5,235,364, 5,361,111, 5,408,200 [sic], 5,381,200, 5,436,685, Re. 34,168, Des. 345,750, Des. 356,101, and Des. 372,722.

Having reviewed the record in this investigation, including the written submissions of the parties, the Commission has made its determination on the issues of remedy, the public interest, and bonding. The Commission has determined that a general exclusion from entry for consumption of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons because there is a pattern of violation of section 337 and it is difficult to identify the source of infringing products. Accordingly, the Commission has determined to issue a general exclusion order prohibiting the unlicensed importation of infringing lens-fitted film packages.

The Commission has also determined that the public interest factors enumerated in subsections (d) and (f) of section 337 do not preclude the issuance of the general exclusion order and that the bond during the Presidential review period shall be in the amount of one hundred (100) percent of the entered value of the articles in question.

Accordingly, the Commission hereby ORDERS that:

1. Lens-fitted film packages ("LFFPs"), also known as one-time use cameras, single use cameras and disposable cameras, covered by one or more of the following claims of the following patents:

claims 1, 5, 6, 9, and 11 of U.S. Letters Patent 4,833,495; claims 14 and 15 of U.S. Letters Patent 4,855,774; claims 1, 7, 8, and 15 of U.S. Letters Patent 4,884,087; claims 1, 19, and 22 of U.S. Letters Patent 4,954,857; claims 1 and 9 of U.S. Letters Patent 4,972,649; claim 14 of U.S. Letters Patent 5,063,400; claims 1 and 11 of U.S. Letters Patent 5,235,364; claim I of U.S. Letters Patent 5,361,111; claims 1, 15, 23, and 25 of U.S. Letters Patent 5,381,200; claims 1 and 7 of U.S. Letters Patent 5,408,288; claims 1 and 28 of U.S. Letters Patent 5,436,685; claims 1 and 13 of U.S. Letters Patent Re. 34,168; the claim of U.S. Letters Patent Des. 345,750; the claim of U. S. Letters Patent Des. 356,101; or the claim of U.S. Letters Patent Des. 372,722

are excluded from entry for consumption into the United States for the remaining terms of those patents, except under license of the patent owner or as provided by law.

2. For the purpose of assisting the U.S. Customs Service in the enforcement of this order, and without in any way limiting the scope of the order, which is defined by the patent claims listed in paragraph 1, the Commission has identified as infringing products

unlicensed LFFP Types 1 through 6, and Types 7, 7A, 8, and 8A, as set forth and discussed in the complaint filed by the complainant in this action on February 13, 1998, and in the Initial and Recommended Determination filed by the presiding administrative law judge on February 24, 1999. Diagrams of these ten "Types" of LFFPs, as included in the evidentiary record in this investigation, are attached to this order.

3. Notwithstanding paragraphs 1 and 2 of this Order, the aforesaid lens-fitted film packages are entitled to entry for consumption into the United States under bond in the amount of one hundred (100) percent of the entered value of such articles, from the day after this Order is received by the President, pursuant to subsection 0) [sic] of section 337 of the Tariff Act of 1930, as amended, until such time as the President notifies the Commission that he approves or disapproves this action, but no later than 60 days after the receipt of this Order by the President.

4. Notwithstanding paragraphs 1, 2, and 3 of this Order, the aforesaid lens-fitted film packages are entitled to entry for consumption into the United States, without payment of bond, if upon importation they accompany a person arriving in the United States and are for the arriving person's personal use, or which are otherwise imported into the United States in such small quantities and under such circumstances so as to reasonably indicate to the satisfaction of the U.S. Customs Service that they are being imported for personal use rather than for commercial purposes.

5. In accordance with subsection (1) of section 337, the provisions of this Order shall not apply to lens-fitted film packages imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government.

6. The Commission may modify this Order in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure (19 C.F.R. § 210.76).

7. The Secretary shall serve copies of this Order upon each party of record in this investigation, and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the U.S. Customs Service.

8. Notice of this Order shall be published in the Federal Register.

By order of the Commission.

Donna R. Koehnke
Secretary

Issued: June 2, 1999

APPENDIX E

UNITED STATES INTERNATIONAL
TRADE COMMISSION
Washington, D.C.

Inv No. 337-TA-406

In the Matter of
CERTAIN LENS-FITTED FILM PACKAGES

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT Respondent cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising distributing, offering for sale, transferring (except for exportation), or soliciting U.S. agents or distributors for certain lens-fitted film packages, also known as one-time use cameras, single use cameras, and disposable cameras, in violation of Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337.

I.

(Definitions)

As used in this Order:

(A) "Commission" shall mean the U.S. International Trade Commission.

(B) "Complainant" shall mean Fuji Photo Film Co., Ltd. of Tokyo, Japan, complainant in this investigation, and its successors and assigns.

(C) "Respondent" shall mean Jazz Photo Corp., 600 Blair Road, Carteret, NJ 07008.

(D) "Person" shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than the Respondent or its majority owned or controlled subsidiaries, their successors, or assigns.

(E) "United States" shall mean the fifty states, the District of Columbia, and Puerto Rico.

(F) "Covered Product" shall mean imported lens-fitted film packages, also known as one-time use cameras, single use cameras, and disposable cameras, that infringe one or more of the following claims of one or more of the following patents:

> claims 1, 5, 6, 9, and 11 of U.S. Letters Patent 4,833,495; claims 14 and 15 of U.S. Letters Patent 4,855,774; claims 1, 7, 8, and 15 of U.S. Letters Patent 4,884,087; claims 1, 19, and 22 of U.S. Letters Patent 4,954,857 claims 1 and 9 of U.S. Letters Patent 4,972,649; claim 14 of U.S. Letters Patent 5,063,400; claims 1 and 11 of U.S. Letters Patent 5,235,364; claim 1 of U.S. Letters Patent 5,361,111; claims 1, 15, 23, and 25 of U.S. Letters Patent 5,381,200; claims 1 and 7 of U.S. Letters Patent 5,408,288; claims 1 and 28 of U.S. Letters Patent 5,436,685; claims 1 and 13 of U.S. Letters Patent Re 34,168; the claim of U.S. Letters Patent Des. 345,750; the claim of U.S. Letters Patent Des. 356,101; or the claim of U. S. Letters Patent Des. 372,722

(G) The terms "import" and "importation" refer to importation for entry for consumption under the Customs Laws of the United States.

II.

(Applicability)

The provisions of this Cease and Desist Order shall apply to Respondent and any of its principals, stockholders,

officers, directors, employees, agents, licenses, distributors, controlled (whether by stock ownership or otherwise) and/or majority owned business entities, successors, and assigns, and to each of them, insofar as they are engaging in conduct prohibited by Section III, infra, for, with, *or* otherwise On behalf of Respondent.

III.

(Conduct Prohibited)

The following conduct of the Respondent in the United States is prohibited by the Order. The Respondent shall not:

(A) import or sell for importation into the United States covered product except under license of the patent owner;

(B) market, distribute, offer for sale, sell, or otherwise transfer (except for exportation) in the United States imported covered product except under license of the patent owner;

(C) advertise covered product except under license of the patent owner;

(D) solicit U.S. agents or distributors for covered product except under license of the patent owner;

(E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of covered product, except under license of the patent owner.

IV.

Conduct Permitted

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if, in a written instrument, Complainant licenses or authorizes such specific conduct, or such specific conduct is related to the importation or sale of covered product by or for the United States.

V.

(Reporting)

For purposes of this reporting requirement, the reporting period shall commence on July 1 of each year and shall end on the subsequent June 30. However, the first report required under this section shall cover the period from the date issuance of this Order through June 30, 2000. This reporting requirement shall continue in force until such time as the Respondent will have truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered product in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission the quantity in units and the value in dollars of foreign-made covered product that Respondent has imported and sold in the United States during the reporting period and the quantity and value of covered product that remains in inventory at the end of the reporting period.

Any failure to make the required report to the filing of any false or inaccurate report shall constitute a violation of the order and may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

VI.

(Record Keeping and Inspection)

(A) For purposes of securing compliance with this Order, Respondent shall retain any and all records to the sale, offer for sale, marketing, or distribution in the United States of covered product made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of two (2) years from the close of the fiscal year to which they pertain.

(B) For the purpose of determining or securing compliance with this Order for no other purpose, and subject to any privilege recognized by the federal courts of the United

States, duly authorized representatives of the Commission upon reasonable written notice by the Commission or its staff, shall be permitted access and the right to inspect and copy in Respondent's principal offices during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, both in detail and in summary forms are required to be retained by subsection VI(A) of this Order.

VII.

(Service of Cease and Desist Order)

Respondent is ordered and directed to:

(A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the marketing, distribution, or sale of covered product in the United States;

(B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII(a) of this Order, a copy of the Order upon each successor; and

(C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subsections VII(A) and VII(B) of this Order, together with the date on which service was made.

The obligations set forth in subsections VII(B) and VII(C) of this order shall remain in effect until the expiration date of the last to expire of the patents specified in Section I herein.

VIII.

(Confidentiality)

Any request for confidential treatment of information obtained the Commission pursuant to Sections V and VI of the Order should be in accordance with section 201.6 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 201.6. For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

IX.

(Enforcement)

Violation of this Order may result in any of the actions specified in section 210.75 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.75, including an action for civil penalties in accordance with section 337(f) of the Tariff Act of 1930, 19 U.S.C. § 1337(f), and any other action as the Commission may deem appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information.

X.

(Modification)

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.76.

XI.

(Bonding)

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the President pursuant to section 337(j) of the Tariff Act of 1930, 19 U.S.C. § 1337(j), subject to

Respondent posting a bond in the amount of one hundred (100) percent of the entered value of the articles in question. This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order. Covered product imported on or after the date of issuance of this Order is subject to the entry bond as set forth in the general exclusion order issued by the Commission simultaneously herewith, and is not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders (19 C.F.R. § 210.68). The bond and any accompanying documentation is to be provided to and approved by the Commission prior to the commencement of conduct which is otherwise prohibited by Section III of this Order.

The bond is to be forfeited in the event that the President approves, or does not disapprove within the Presidential review period, this Order, unless the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses the Commission final determination and order as to Respondent on appeal, or unless Respondent exports the products subject to this bond or destroys them and provides certification to that effect satisfactory to the Commission.

The bond is to be released in the event the President disapproves this Order and no subsequent order issued by the Commission and approved, or not disapproved, by the President, upon service on Respondent of an order issued by the Commission based upon application therefor made by Respondent to the Commission.

By Order of the Commission.

Donna R. Koehnke
Secretary

Issued: June 2, 1999

APPENDIX F

UNITED STATES INTERNATIONAL
TRADE COMMISSION
Washington, D.C.

Inv No. 337-TA-406

In the Matter of
CERTAIN LENS-FITTED FILM PACKAGES

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT Respondent cease and desist from conducting any of the following activities in the United States: importing, selling, marketing, advertising distributing, offering for sale, transferring (except for exportation), or soliciting U.S. agents or distributors for certain lens-fitted film packages, also known as one-time use cameras, single use cameras, and disposable cameras, in violation of Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337.

I.

(Definitions)

As used in this Order:

(A) "Commission" shall mean the U.S. International Trade Commission.

(B) "Complainant" shall mean Fuji Photo Film Co., Ltd. of Tokyo, Japan, complainant in this investigation, and its successors and assigns.

(C) "Respondent" shall mean Dynatec International, Inc. 3820 West Great Lakes Drive, Salt Lake City, UT 84120.

(D) "Person" shall mean an individual, or any non-governmental partnership, firm, association, corporation, or other legal or business entity other than the Respondent or its majority owned or controlled subsidiaries, their successors, or assigns.

(E) "United States" shall mean the fifty states, the District of Columbia, and Puerto Rico.

(F) "Covered Product" shall mean imported lens-fitted film packages, also known as one-time use cameras, single use cameras, and disposable cameras, that infringe one or more of the following claims of one or more of the following patents:

> claims 1, 5, 6, 9, and 11 of U.S. Letters Patent 4,833,495; claims 14 and 15 of U.S. Letters Patent 4,855,774; claims 1, 7, 8, and 15 of U.S. Letters Patent 4,884,087; claims 1, 19, and 22 of U.S. Letters Patent 4,954,857 claims 1 and 9 of U.S. Letters Patent 4,972,649; claim 14 of U.S. Letters Patent 5,063,400; claims 1 and 11 of U.S. Letters Patent 5,235,364; claim 1 of U.S. Letters Patent 5,361,111; claims 1, 15, 23, and 25 of U.S. Letters Patent 5,381,200; claims 1 and 7 of U.S. Letters Patent 5,408,288; claims 1 and 28 of U.S. Letters Patent 5,436,685; claims 1 and 13 of U.S. Letters Patent Re 34,168; the claim of U.S. Letters Patent Des. 345,750; the claim of U.S. Letters Patent Des. 356,101; or the claim of U.S. Letters Patent Des. 372,722

(G) The terms "import" and "importation" refer to importation for entry for consumption under the Customs Laws of the United States.

II.

(Applicability)

The provisions of this Cease and Desist Order shall apply to Respondent and any of its principals, stockholders,

officers, directors, employees, agents, licenses, distributors, controlled (whether by stock ownership or otherwise) and/or majority owned business entities, successors, and assigns, and to each of them, insofar as they are engaging in conduct prohibited by Section III, infra, for, with, *or* otherwise On behalf of Respondent.

III.

(Conduct Prohibited)

The following conduct of the Respondent in the United States is prohibited by the Order. The Respondent shall not:

(A) import or sell for importation into the United States covered product except under license of the patent owner;

(B) market, distribute, offer for sale, sell, or otherwise transfer (except for exportation) in the United States imported covered product except under license of the patent owner;

(C) advertise covered product except under license of the patent owner;

(D) solicit U.S. agents or distributors for covered product except under license of the patent owner;

(E) aid or abet other entities in the importation, sale for importation, sale after importation, transfer, or distribution of covered product, except under license of the patent owner.

IV.

Conduct Permitted

Notwithstanding any other provision of this Order, specific conduct otherwise prohibited by the terms of this Order shall be permitted if, in a written instrument, Complainant licenses or authorizes such specific conduct, or such specific conduct is related to the importation or sale of covered product by or for the United States.

V.

(Reporting)

For purposes of this reporting requirement, the reporting period shall commence on July 1 of each year and shall end on the subsequent June 30. However, the first report required under this section shall cover the period from the date issuance of this Order through June 30, 2000. This reporting requirement shall continue in force until such time as the Respondent will have truthfully reported, in two consecutive timely filed reports, that it has no inventory of covered product in the United States.

Within thirty (30) days of the last day of the reporting period, Respondent shall report to the Commission the quantity in units and the value in dollars of foreign-made covered product that Respondent has imported and sold in the United States during the reporting period and the quantity and value of covered product that remains in inventory at the end of the reporting period.

Any failure to make the required report to the filing of any false or inaccurate report shall constitute a violation of the order and may be referred to the U.S. Department of Justice as a possible criminal violation of 18 U.S.C. § 1001.

VI.

(Record Keeping and Inspection)

(A) For purposes of securing compliance with this Order, Respondent shall retain any and all records to the sale, offer for sale, marketing, or distribution in the United States of covered product made and received in the usual and ordinary course of business, whether in detail or in summary form, for a period of two (2) years from the close of the fiscal year to which they pertain.

(B) For the purpose of determining or securing compliance with this Order for no other purpose, and subject to any privilege recognized by the federal courts of the United States, duly authorized representatives of the Commission upon reasonable written notice by the Commission or its staff, shall be permitted access and the right to inspect and copy in Respondent's principal offices during office hours, and in the presence of counsel or other representatives if Respondent so chooses, all books, ledgers, accounts, correspondence, memoranda, and other records and documents, both in detail and in summary forms are required to be retained by subsection VI(A) of this Order.

VII.

(Service of Cease and Desist Order)

Respondent is ordered and directed to:

(A) Serve, within fifteen (15) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the marketing, distribution, or sale of covered product in the United States;

(B) Serve, within fifteen (15) days after the succession of any persons referred to in subparagraph VII(a) of this Order, a copy of the Order upon each successor; and

(C) Maintain such records as will show the name, title, and address of each person upon whom the Order has been served, as described in subsections VII(A) and VII(B) of this Order, together with the date on which service was made.

The obligations set forth in subsections VII(B) and VII(C) of this order shall remain in effect until the expiration date of the last to expire of the patents specified in Section I herein.

VIII.

(Confidentiality)

Any request for confidential treatment of information obtained the Commission pursuant to Sections V and VI of the Order should be in accordance with section 201.6 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 201.6. For all reports for which confidential treatment is sought, Respondent must provide a public version of such report with confidential information redacted.

IX.

(Enforcement)

Violation of this Order may result in any of the actions specified in section 210.75 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.75, including an action for civil penalties in accordance with section 337(f) of the Tariff Act of 1930, 19 U.S.C. § 1337(f), and any other action as the Commission may deem appropriate. In determining whether Respondent is in violation of this Order, the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information.

X.

(Modification)

The Commission may amend this Order on its own motion or in accordance with the procedure described in section 210.76 of the Commission's Rules of Practice and Procedure, 19 C.F.R. § 210.76.

XI.

(Bonding)

The conduct prohibited by Section III of this Order may be continued during the sixty (60) day period in which this Order is under review by the President pursuant to section 337(j) of

the Tariff Act of 1930, 19 U.S.C. § 1337(j), subject to Respondent posting a bond in the amount of one hundred (100) percent of the entered value of the articles in question. This bond provision does not apply to conduct that is otherwise permitted by Section IV of this Order. Covered product imported on or after the date of issuance of this Order is subject to the entry bond as set forth in the general exclusion order issued by the Commission simultaneously herewith, and is not subject to this bond provision.

The bond is to be posted in accordance with the procedures established by the Commission for the posting of bonds by complainants in connection with the issuance of temporary exclusion orders (19 C.F.R. § 210.68). The bond and any accompanying documentation is to be provided to and approved by the Commission prior to the commencement of conduct which is otherwise prohibited by Section III of this Order.

The bond is to be forfeited in the event that the President approves, or does not disapprove within the Presidential review period, this Order, unless the U.S. Court of Appeals for the Federal Circuit, in a final judgment, reverses the Commission final determination and order as to Respondent on appeal, or unless Respondent exports the products subject to this bond or destroys them and provides certification to that effect satisfactory to the Commission.

The bond is to be released in the event the President disapproves this Order and no subsequent order issued by the Commission and approved, or not disapproved, by the President, upon service on Respondent of an order issued by the Commission based upon application therefor made by Respondent to the Commission.

By Order of the Commission.

Donna R. Koehnke
Secretary

Issued: June 2, 1999

APPENDIX G

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

[Filed Nov. 9, 2001]

99-1431, -1504, -1595, -1596, -1601

JAZZ PHOTO CORPORATION,
Appellant,

and

DYNATECH INTERNATIONAL, INC.,
Appellant,

and

OPTICOLOR, INC.,
Appellant,

v.

INTERNATIONAL TRADE COMMISSION,
Appellee,

and

FUJI PHOTO FILM CO., LTD.,
Intevenor.

ON COMBINED PETITIONS FOR PANEL REHEARING
AND REHEARING EN BANC

ORDER

Jazz Photo Corporation (Jazz Photo), Dynatech Intenational, Inc., Opticolor, Inc., and Fuji Photo Film Co., Ltd. (Fuji) each filed a combined petition for panel rehearing and rehearing en banc. The court invited responses from the International Trade Commission and Fuji to Jazz Photo's petition, which were submitted and filed.

The petitions for rehearing and responses were referred first to the panel that heard the appeal. Thereafter the petitions for rehearing en banc and responses were referred to the circuit judges who are in regular active service and a poll was conducted.

Upon consideration thereof,

IT IS ORDERED THAT:

(1) The petitions for panel rehearing are denied.

(2) The petitions for rehearing en banc are denied.

(3) The mandate of the court will issue on November 16, 2001.

RADER, Circuit Judge, would rehear the appeal en banc.

FOR THE COURT

/s/ Jan Horbaly (A.V.)
JAN HORBALY
Clerk

November 9, 2001
Date

cc: Larry R. Laycock, Esq.
Richard L. Goff, Esq.
Jeffrey I. Kaplan, Esq.
Jean H. Jackson, Esq.
Lawrence Rosenthal, Esq.

APPENDIX H

STATUTES

19 U.S.C. § 1337. Unfair practices in import trade

(a) Unlawful activities; covered industries; definitions

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

(A) Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C), (D), and (E)) into the United States, or in the sale of such articles by the owner, importer, or consignee, the threat or effect of which is—

(i) to destroy or substantially injure an industry in the United States;

(ii) to prevent the establishment of such an industry; or

(iii) to restrain or monopolize trade and commerce in the United States.

(B) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—

(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

(C) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946 [15 U.S.C.A. 1051 et seq.].

(D) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of a semiconductor chip product in a manner that constitutes infringement of a mask work registered under chapter 9 of Title 17.

(E) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consigner, of an article that constitutes infringement of the exclusive rights in a design protected under chapter 13 of Title 17 [17 U.S.C.A. § 1301 et seq.].

(2) Subparagraphs (B), (C), and (D) of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark, mask work, or design concerned, exists or is in the process of being established.

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned—

(A) significant investment in plant and equipment;

(B) significant employment of labor or capital; or

(C) substantial investment in its exploitation, including engineering, research and development, or licensing.

(4) For the purposes of this section, the phrase "owner, importer, or consignee" includes any agent of the owner, importer, or consignee.

(b) Investigation of violations by Commission

(1) The Commission shall investigate any alleged violation of this section on complaint under oath or upon its initiative. Upon commencing any such investigation, the Commission shall publish notice thereof in the Federal Register. The Commission shall conclude any such investigation and make its determination under this section at the earliest practicable time after the date of publication of notice of such investigation. To promote expeditious adjudication, the Commission shall, within 45 days after an investigation is initiated, establish a target date for its final determination.

(2) During the course of each investigation under this section, the Commission shall consult with, and seek advice and information from, the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and such other departments and agencies as it considers appropriate.

(3) Whenever, in the course of an investigation under this section, the Commission has reason to believe, based on information before it, that a matter, in whole or in part, may come within the purview of part II of subtitle IV of this chapter, it shall promptly notify the Secretary of Commerce so that such action may be taken as is otherwise authorized by such part II. If the Commission has reason to believe that the matter before it (A) is based solely on alleged acts and effects which are within the purview of section 1671 or 1673 of this title, or (B) relates to an alleged copyright infringement with respect to which action is prohibited by section 1008 of Title 17, the Commission shall terminate, or not institute, any investigation into the matter. If the Commission has reason to believe the matter before it is based in part on alleged acts

and effects which are within the purview of section 1671 or 1673 of this title, and in part on alleged acts and effects which may, independently from or in conjunction with those within the purview of such section, establish a basis for relief under this section, then it may institute or continue an investigation into the matter. If the Commission notifies the Secretary or the administering authority (as defined in section 1677(1) of this title) with respect to a matter under this paragraph, the Commission may suspend its investigation during the time the matter is before the Secretary or administering authority for final decision. Any final decision by the administering authority under section 1671 or 1673 of this title with respect to the matter within such section 1671 or 1673 of this title of which the Commission has notified the Secretary or administering authority shall be conclusive upon the Commission with respect to the issue of less-than-fair-value sales or subsidization and the matters necessary for such decision.

(c) Determinations; review

The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section, except that the Commission may, by issuing a consent order or on the basis of an agreement between the private parties to the investigation, including an agreement to present the matter for arbitration, terminate any such investigation, in whole or in part, without making such a determination. Each determination under subsection (d) or (e) of this section shall be made on the record after notice and opportunity for a hearing in conformity with the provisions of subchapter II of chapter 5 of Title 5. All legal and equitable defenses may be presented in all cases. A respondent may raise any counterclaim in a manner prescribed by the Commission. Immediately after a counterclaim is received by the Commission, the respondent raising such counterclaim shall file a notice of removal with a United States district court in which venue for

any of the counterclaims raised by the party would exist under section 1391 of Title 28. Any counterclaim raised pursuant to this section shall relate back to the date of the original complaint in the proceeding before the Commission. Action on such counterclaim shall not delay or affect the proceeding under this section, including the legal and equitable defenses that may be raised under this subsection. Any person adversely affected by a final determination of the Commission under subsection (d), (e), (f), or (g) of this section may appeal such determination, within 60 days after the determination becomes final, to the United States Court of Appeals for the Federal Circuit for review in accordance with chapter 7 of Title 5. Notwithstanding the foregoing provisions of this subsection, Commission determinations under subsections (d), (e), (f), and (g) of this section with respect to its findings on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the amount and nature of bond, or the appropriate remedy shall be reviewable in accordance with section 706 of Title 5. Determinations by the Commission under subsections (e), (f), and (j) of this section with respect to forfeiture of bonds and under subsection (h) of this section with respect to the imposition of sanctions for abuse of discovery or abuse of process shall also be reviewable in accordance with section 706 of Title 5.

(d) Exclusion of articles from entry

(1) If the Commission determines, as a result of an investigation under this section, that there is a violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive

articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

(2) The authority of the Commission to order an exclusion from entry of articles shall be limited to persons determined by the Commission to be violating this section unless the Commission determines that—

(A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or

(B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products.

(e) Exclusion of articles from entry during investigation except under bond; procedures applicable; preliminary relief

(1) If, during the course of an investigation under this section, the Commission determines that there is reason to believe that there is a violation of this section, it may direct that the articles concerned, imported by any person with respect to whom there is reason to believe that such person is violating this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry, except that such articles shall be entitled to entry under bond

prescribed by the Secretary in an amount determined by the Commission to be sufficient to protect the complainant from any injury. If the Commission later determines that the respondent has violated the provisions of this section, the bond may be forfeited to the complainant.

(2) A complainant may petition the Commission for the issuance of an order under this subsection. The Commission shall make a determination with regard to such petition by no later than the 90th day after the date on which the Commission's notice of investigation is published in the Federal Register. The Commission may extend the 90-day period for an additional 60 days in a case it designates as a more complicated case. The Commission shall publish in the Federal Register its reasons why it designated the case as being more complicated. The Commission may require the complainant to post a bond as a prerequisite to the issuance of an order under this subsection. If the Commission later determines that the respondent has not violated the provisions of this section, the bond may be forfeited to the respondent.

(3) The Commission may grant preliminary relief under this subsection or subsection (f) of this section to the same extent as preliminary injunctions and temporary restraining orders may be granted under the Federal Rules of Civil Procedure.

(4) The Commission shall prescribe the terms and conditions under which bonds may be forfeited under paragraphs (1) and (2).

(f) Cease and desist orders; civil penalty for violation of orders

(1) In addition to, or in lieu of, taking action under subsection (d) or (e) of this section, the Commission may issue and cause to be served on any person violating this section, or believed to be violating this section, as the case may be, an order directing such person to cease and desist

from engaging in the unfair methods or acts involved, unless after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such order should not be issued. The Commission may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under subsection (d) or (e) of this section, as the case may be. If a temporary cease and desist order is issued in addition to, or in lieu of, an exclusion order under subsection (e) of this section, the Commission may require the complainant to post a bond, in an amount determined by the Commission to be sufficient to protect the respondent from any injury, as a prerequisite to the issuance of an order under this subsection. If the Commission later determines that the respondent has not violated the provisions of this section, the bond may be forfeited to the respondent. The Commission shall prescribe the terms and conditions under which the bonds may be forfeited under this paragraph.

(2) Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of $100,000 or twice the domestic value of the articles entered or sold on such day in violation of the order. Such penalty shall accrue to the United States and may be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs. In such actions, the United States district courts may issue mandatory injunctions incorporating the relief sought by the Commission as they deem appropriate in the enforcement of such final orders of the Commission.

(g) Exclusion from entry or cease and desist order; conditions and procedures applicable

(1) If—

(A) a complaint is filed against a person under this section;

(B) the complaint and a notice of investigation are served on the person;

(C) the person fails to respond to the complaint and notice or otherwise fails to appear to answer the complaint and notice;

(D) the person fails to show good cause why the person should not be found in default; and

(E) the complainant seeks relief limited solely to that person;

the Commission shall presume the facts alleged in the complaint to be true and shall, upon request, issue an exclusion from entry or a cease and desist order, or both, limited to that person unless, after considering the effect of such exclusion or order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the Commission finds that such exclusion or order should not be issued.

(2) In addition to the authority of the Commission to issue a general exclusion from entry of articles when a respondent appears to contest an investigation concerning a violation of the provisions of this section, a general exclusion from entry of articles, regardless of the source or importer of the articles, may be issued if—

(A) no person appears to contest an investigation concerning a violation of the provisions of this section,

(B) such a violation is established by substantial, reliable, and probative evidence, and

(C) the requirements of subsection (d)(2) of this section are met.

(h) Sanctions for abuse of discovery and abuse of process

The Commission may by rule prescribe sanctions for abuse of discovery and abuse of process to the extent authorized by Rule 11 and Rule 37 of the Federal Rules of Civil Procedure.

(i) Forfeiture

(1) In addition to taking action under subsection (d) of this section, the Commission may issue an order providing that any article imported in violation of the provisions of this section be seized and forfeited to the United States if—

(A) the owner, importer, or consignee of the article previously attempted to import the article into the United States;

(B) the article was previously denied entry into the United States by reason of an order issued under subsection (d) of this section; and

(C) upon such previous denial of entry, the Secretary of the Treasury provided the owner, importer, or consignee of the article written notice of—

(i) such order, and

(ii) the seizure and forfeiture that would result from any further attempt to import the article into the United States.

(2) The Commission shall notify the Secretary of the Treasury of any order issued under this subsection and, upon receipt of such notice, the Secretary of the Treasury shall enforce such order in accordance with the provisions of this section.

(3) Upon the attempted entry of articles subject to an order issued under this subsection, the Secretary of the Treasury shall immediately notify all ports of entry of the attempted importation and shall identify the persons notified under paragraph (1)(C).

(4) The Secretary of the Treasury shall provide—

(A) the written notice described in paragraph (1)(C) to the owner, importer, or consignee of any article that is denied entry into the United States by reason of an order issued under subsection (d) of this section; and

(B) a copy of such written notice to the Commission.

(j) Referral to President

(1) If the Commission determines that there is a violation of this section, or that, for purposes of subsection (e) of this section, there is reason to believe that there is such a violation, it shall—

(A) publish such determination in the Federal Register, and

(B) transmit to the President a copy of such determination and the action taken under subsection (d), (e), (f), (g), or (i) of this section, with respect thereto, together with the record upon which such determination is based.

(2) If, before the close of the 60-day period beginning on the day after the day on which he receives a copy of such determination, the President, for policy reasons, disapproves such determination and notifies the Commission of his disapproval, then, effective on the date of such notice, such determination and the action taken under subsection (d), (e), (f), (g), or (i) of this section with respect thereto shall have no force or effect.

(3) Subject to the provisions of paragraph (2), such determination shall, except for purposes of subsection (c) of this section, be effective upon publication thereof in the Federal Register, and the action taken under subsection (d), (e), (f), (g), or (i) of this section with respect thereto shall be effective as provided in such subsections, except that articles directed to be excluded from entry under subsection (d) of this section or subject to a cease and desist order under subsection (f) of this section shall, until such determination becomes final, be entitled to entry under bond prescribed by the Secretary in an amount determined by the Commission to be sufficient to protect the complainant from any injury. If the determination becomes final, the bond may be forfeited to the complainant. The Commission shall prescribe the terms and conditions under which bonds may be forfeited under this paragraph.

(4) If the President does not disapprove such determination within such 60-day period, or if he notifies the Commission before the close of such period that he approves such determination, then, for purposes of paragraph (3) and subsection (c) of this section such determination shall become final on the day after the close of such period or the day on which the President notifies the Commission of his approval, as the case may be.

(k) Period of effectiveness; termination of violation or modification or rescission of exclusion or order

(1) Except as provided in subsections (f) and (j) of this section, any exclusion from entry or order under this section shall continue in effect until the Commission finds, and in the case of exclusion from entry notifies the Secretary of the Treasury, that the conditions which led to such exclusion from entry or order no longer exist.

(2) If any person who has previously been found by the Commission to be in violation of this section petitions the

Commission for a determination that the petitioner is no longer in violation of this section or for a modification or rescission of an exclusion from entry or order under subsection (d), (e), (f), (g), or (i) of this section—

(A) the burden of proof in any proceeding before the Commission regarding such petition shall be on the petitioner; and

(B) relief may be granted by the Commission with respect to such petition—

(i) on the basis of new evidence or evidence that could not have been presented at the prior proceeding, or

(ii) on grounds which would permit relief from a judgment or order under the Federal Rules of Civil Procedure.

(*l*) Importation by or for United States

Any exclusion from entry or order under subsection (d), (e), (f), (g), or (i) of this section, in cases based on a proceeding involving a patent, copyright, mask work, or design under subsection (a)(1) of this section, shall not apply to any articles imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government. Whenever any article would have been excluded from entry or would not have been entered pursuant to the provisions of such subsections but for the operation of this subsection, an owner of the patent, copyright, mask work, or design adversely affected shall be entitled to reasonable and entire compensation in an action before the United States Court of Federal Claims pursuant to the procedures of section 1498 of Title 28.

(m) "United States" defined

For purposes of this section and sections 1338 and 1340 of this title, the term "United States" means the customs territory of the United States as defined in general note 2 of the Harmonized Tariff Schedule of the United States.

(n) Disclosure of confidential information

(1) Information submitted to the Commission or exchanged among the parties in connection with proceedings under this section which is properly designated as confidential pursuant to Commission rules may not be disclosed (except under a protective order issued under regulations of the Commission which authorizes limited disclosure of such information) to any person (other than a person described in paragraph (2)) without the consent of the person submitting it.

(2) Notwithstanding the prohibition contained in paragraph (1), information referred to in that paragraph may be disclosed to—

(A) an officer or employee of the Commission who is directly concerned with—

(i) carrying out the investigation or related proceeding in connection with which the information is submitted,

(ii) the administration of a bond posted pursuant to subsection (e), (f), or (j) of this section,

(iii) the administration or enforcement of an exclusion order issued pursuant to subsection (d), (e), or (g) of this section, a cease and desist order issued pursuant to subsection (f) of this section, or a consent order issued pursuant to subsection (c) of this section,

(iv) proceedings for the modification or rescission of a temporary or permanent order issued under

subsection (d), (e), (f), (g), or (i) of this section, or a consent order issued under this section, or

(v) maintaining the administrative record of the investigation or related proceeding,

(B) an officer or employee of the United States Government who is directly involved in the review under subsection (j) of this section, or

(C) an officer or employee of the United States Customs Service who is directly involved in administering an exclusion from entry under subsection (d), (e), or (g) of this section resulting from the investigation or related proceeding in connection with which the information is submitted.

(June 17, 1930, c. 497, Title III, § 337, 46 Stat. 703; Proc. No. 2695, July 4, 1946, 11 F.R. 7517, 60 Stat. 1352; Aug. 20, 1958, Pub.L. 85-686, § 9(c)(1), 72 Stat. 679; Jan. 3, 1975, Pub.L. 93-618, Title III, § 341(a), 88 Stat. 2053; July 26, 1979, Pub.L. 96-39, Title I, § 106(b)(1), Title XI, § 1105, 93 Stat. 193, 310; Oct. 10, 1980, Pub.L. 96-417, Title VI, § 604, 94 Stat. 1744; Apr. 2, 1982, Pub.L. 97-164, Title I, §§ 160(a)(5), 163(a)(4), 96 Stat. 48, 49; Nov. 8, 1984, Pub.L. 98-620, Title IV, § 413, 98 Stat. 3362; Aug. 23, 1988, Pub.L. 100-418, Title I, §§ 1214(h)(3), 1342(a), (b), 102 Stat. 1157, 1212, 1215; Nov. 10, 1988, Pub.L. 100-647, Title IX, § 9001(a)(7), (12), 102 Stat. 3807; Oct. 28, 1992, Pub.L. 102-563, § 3(d), 106 Stat. 4248; Dec. 8, 1994, Pub.L. 103-465, Title II, § 261(d)(1)(B)(ii), Title III, § 321(a), 108 Stat. 4909, 4943; Oct. 11, 1996, Pub.L. 104-295, § 20(b)(11), (12), (c)(2), 110 Stat. 3527, 3528; Nov. 29, 1999, Pub.L. 106-113, Div. B, § 1000(a)(9) [Title V, § 5005(b)], 113 Stat. 1536, 1501A-594.)

35 U.S.C. § 154 Contents and term of patent; provisional rights

(a) In general.—

(1) Contents.—Every patent shall contain a short title of the invention and a grant to the patentee his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, of the right to exclude other from using, offering for sale or selling throughout the United States, or importing into the United States, products made by that process, referring to the specification for the particulars thereof.

(2) Term.—Subject to the payment of fees under this title, such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was field in United States or, if the application contains a specific reference to an earlier filed application or applications under section 120, 121, or 365(c) of this title, from the date on which the earliest such application was filed.

(3) Priority.—Priority under section 119, 365(a), or 365(b) of this title shall not be taken into account in determining the of a patent.

(4) Specification and drawing.—A copy of the specification and drawing shall be annexed to the patent and be a part of such patent.

* * * *

(July 19, 1952, c. 950, 66 Stat. 804; July 24, 1965, Pub.L. 89-83, § 5, 79 Stat. 261; Dec. 12, 1980, Pub.L. 96-517, § 4, 94 Stat. 3018; Aug. 23, 1988, Pub.L. 100-418, Title IX, § 9002, 102 Stat. 1563; Dec. 8, 1994, Pub.L. 103-465, Title V, § 532(a)(1), 108 Stat. 4983; Oct. 11, 1996, Pub.L. 104-295,

§ 20(e)(1), 110 Stat. 3529; Nov. 29, 1999, Pub.L. 106-113, Div. B, § 1000(a)(9) [Title IV, §§ 4402(a), 4504], 113 Stat. 1536, 1501A-557, 1501A-566.)

35 U.S.C. § 271. Infringement of patent

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement; (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in

another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

(e)(1) It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention (other than a new animal drug or veterinary biological product (as those terms are used in the Federal Food, Drug, and Cosmetic Act and the Act of March 4, 1913) which is primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques) solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs or veterinary biological products.

(2) It shall be an act of infringement to submit—

(A) an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent, or

(B) an application under section 512 of such Act or under the Act of March 4, 1913 (21 U.S.C. 151-158) for a drug or veterinary biological product which is not primarily manufactured using recombinant DNA, recombinant RNA, hybridoma technology, or other processes involving site specific genetic manipulation techniques and which is claimed in a patent or the use of which is claimed in a patent,

if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug or veterinary biological product claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.

(3) In any action for patent infringement brought under this section, no injunctive or other relief may be granted which would prohibit the making, using, offering to sell, or selling within the United States or importing into the United States of a patented invention under paragraph (1).

(4) For an act of infringement described in paragraph (2)—

(A) the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed,

(B) injunctive relief may be granted against an infringer to prevent the commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug or veterinary biological product, and

(C) damages or other monetary relief may be awarded against an infringer only if there has been commercial manufacture, use, offer to sell, or sale within the United States or importation into the United States of an approved drug or veterinary biological product.

The remedies prescribed by subparagraphs (A), (B), and (C) are the only remedies which may be granted by a court for an act of infringement described in paragraph (2), except that a court may award attorney fees under section 285.

(f)(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patent invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

(g) Whoever without authority imports into the United States or offers to sell, sells, or uses within the United States a product which is made by a process patented in the United States shall be liable as an infringer, if the importation, offer to sell, sale, or use of the product occurs during the term of such process patent. In an action for infringement of a process patent, no remedy may be granted for infringement on account of the noncommercial use or retail sale of a product unless there is no adequate remedy under this title for infringement on account of the importation or other use, offer to sell, or sale of that product. A product which is made by a patented process will, for purposes of this title, not be considered to be so made after—

(1) it is materially changed by subsequent processes; or

(2) it becomes a trivial and nonessential component of another product.

(h) As used in this section, the term "whoever" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(i) As used in this section, an "offer for sale" or an "offer to sell" by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent.

(July 19, 1952, c. 950, 66 Stat. 811; Sept. 24, 1984, Pub.L. 98-417, Title II, § 202, 98 Stat. 1603; Nov. 8, 1984, Pub.L. 98-622, Title I, § 101, 98 Stat. 3383; Aug. 23, 1988, Pub.L. 100-418, Title IX, § 9003, 102 Stat. 1564; Nov. 16, 1988, Pub.L. 100-670, Title II, § 201(i), 102 Stat. 3988; Nov. 19, 1988, Pub.L. 100-703, Title II, § 201, 102 Stat. 4676; Oct. 28, 1992, Pub.L. 102-560, § 2(a)(1), 106 Stat. 4230; Dec. 8, 1994, Pub.L. 103-465, Title V, § 533(a), 108 Stat. 4988.)

Supreme Court U.S.
FILED
MAR 12 2002
OFFICE OF THE CLERK

(3)

No. 01-1158

In the Supreme Court of the United States

JAZZ PHOTO CORPORATION AND DYNATEC INTERNATIONAL, INC., PETITIONERS

v.

FUJI PHOTO FILM CO., LTD. ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MEMORANDUM FOR THE FEDERAL RESPONDENT

THEODORE B. OLSON
Solicitor General
Counsel of Record
Department of Justice
Washington, D.C. 20530-0001
(202) 514-2217

5PP

QUESTION PRESENTED

Whether the patent law doctrine of exhaustion, which holds that the first sale of a patented article "exhausts the monopoly in that article and the patentee may not thereafter, by virtue of his patent, control the use or disposition of the article," *United States* v. *Univis Lens Co.*, 316 U.S. 241, 250 (1942), applies when the patentee first sells the article in a foreign country.

In the Supreme Court of the United States

No. 01-1158

JAZZ PHOTO CORPORATION AND DYNATEC INTERNATIONAL, INC., PETITIONERS

v.

FUJI PHOTO FILM CO., LTD. ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MEMORANDUM FOR THE FEDERAL RESPONDENT

Petitioners are in the business of purchasing used disposable cameras, refurbishing those cameras, and importing them for sale to consumers. See Pet. 4. Respondent, a leading manufacturer of disposable cameras, filed a complaint with the United States International Trade Commission (ITC) alleging that petitioners' importation of refurbished disposable cameras infringes its patents. Pet. 3. Before the ITC, petitioners did not dispute that the challenged disposable cameras would infringe respondent's patents if those cameras were being newly manufactured. Petitioners, however, relied on the affirmative defense of permissible "repair," which allows a product's owner to repair that product without infringing the patent holder's rights. Pet. 4, 7. The ITC agreed with respondent, holding that the changes made in the course of refurbishing the used cameras were so exten-

sive that petitioners were "effectively recreating" the patented invention. Pet. App. 127a; see *id.* at 32a n.4. Accordingly, pursuant to Section 337 of the Tariff Act of 1930, 19 U.S.C. 1337 (1994 & Supp. V 1999), the ITC issued a General Exclusion Order that forbade cameras covered by respondent's patents from entering the United States for consumption. Pet. App. 160a-163a.

Petitioners sought review in the United States Court of Appeals for the Federal Circuit, which affirmed in part and reversed in part. Pet. App. 25a. Throughout the litigation, the parties focused on whether or not the cameras were permissibly repaired or were impermissibly recreated. The court of appeals held that the disputed cameras had been repaired, rather than reconstructed, but that the doctrine of "exhaustion" properly applies only to cameras "for which the United States patent right has been exhausted by first sale *in the United States*." *Id.* at 15a (emphasis added).

The parties had not briefed or raised any distinction between cameras that were first sold in this country and those first sold elsewhere (Pet. 6), and the distinction also was not raised in the ITC's investigation, hearing, initial decision, or final decision, Pet. 4. Nonetheless, that distinction's validity is the only question presented by the petition. Pet. i.

As a party in the proceedings below, the ITC is a respondent in this Court. See Sup. Ct. R. 12.6. The ITC, however, has not ruled on the issue of whether foreign sales exhaust domestic patent rights. Accordingly, the Commission does not take a position on whether review by this Court is warranted.

Respectfully submitted.

THEODORE B. OLSON
Solicitor General

MARCH 2002

(4)

REDACTED PUBLIC VERSION

No. 01-1158

SUPREME COURT, U.S.
FILED
MAR 13 2002
CLERK

IN THE

Supreme Court of the United States

JAZZ PHOTO CORPORATION and
DYNATEC INTERNATIONAL, INC.,

Petitioners,

v.

INTERNATIONAL TRADE COMMISSION
and FUJI PHOTO FILM CO., LTD.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION FOR RESPONDENT FUJI PHOTO FILM CO., LTD.

LAWRENCE ROSENTHAL
Counsel of Record
MATTHEW W. SIEGAL
LISA A. JAKOB
IAN G. DIBERNARDO
RICHARD ESKEW
STROOCK & STROOCK & LAVAN LLP
180 Maiden Lane
New York, NY 10038
(212) 806-5400
Attorneys for Respondent
Fuji Photo Film Co., Ltd.

172652

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

QUESTION PRESENTED FOR REVIEW

The issue presented for review, which the Federal Circuit previously decided in the negative in reliance on *Boesch v. Graff*, 133 U.S. 697 (1890), the only Supreme Court precedent on point, and for which the Federal Circuit denied rehearing, is:

> Whether a foreign sale of a patented product, absent a license or consent by the United States patent owner authorizing sale of the patented product in the United States, exhausts the United States patent right.

PARTIES TO THE PROCEEDING

Petitioner's List of Parties is correct except that it omits GrandwayChina, Ltd., identified as the successor of Petitioner Dynatec International, Inc. ("Dynatec") in Dynatec's July 29, 1999 Motion to Stay Execution of June 2, 1999 General Exclusion Order, and Grandway U.S.A. Corporation, identified as a "real party in interest" in the Certificate of Interest accompanying the Motion.

RULE 29.6 CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, Respondent Fuji Photo Film Co., Ltd. states that it has no parent corporation and that no publicly held corporation owns 10% or more of its stock.

TABLE OF CONTENTS

	Page
Questions Presented for Review	i
Parties to the Proceeding	ii
Rule 29.6 Corporate Disclosure Statement	ii
Table of Contents	iii
Table of Cited Authorities	vi
Statement of the Case	1
A. The Issue	1
B. The Products	2
C. The Procedural History	3
Summary of Argument	7
Argument	8
I. The Federal Circuit Correctly Interpreted And Relied On *Boesch* In Holding That A Foreign Sale Of A Product, Absent The Consent Or Authorization Of The United States Patent Owner, Does Not Exhaust United States Patent Rights.	8

Contents

Page

A. *Boesch*: Patent Laws Are Territorial—Absent A License Or Consent By The United States Patent Owner Authorizing Sale In The United States, A Foreign Sale Does Not Exhaust The United States Patent Right 9

B. Contrary To The Contention Of Petitioners, The Federal Circuit's Reading Of *Boesch* Is Supported In Other Cases. 13

C. The Cases Relied On By Petitioners Are Not Binding On The Federal Circuit And Are Distinguishable. 15

D. The Only Century Old Default Rule Of Patent Exhaustion Is Based On First Sale In The United States, And That Rule Is Inapposite To The Question Presented. .. 18

E. Foreign Cases Cited By Jazz Cannot Change The Law Established By *Boesch*. 19

II. The Federal Circuit's First Sale In The United States Ruling Neither Reallocates Property Rights Nor Harms International Trade. 20

Cited Authorities

Page

A. The Federal Circuit's Ruling Does Not Harm Consumers. 21

B. Petitioners Ignore The Very Cases They Cite. 22

C. The Federal Circuit's Ruling Provides Patentees With Justified Compensation For United States And Foreign Patents, Not Double Recovery. 23

D. Fuji's First Sale In Japan Cannot Give Rise To A License Or Consent To Sell In The United States. 24

III. Because The ITC Orders Will Still Apply To Jazz Even If This Court Grants Jazz's Petition For Writ Of Certiorari And Reverses The Federal Circuit's Decision, Jazz Is Seeking An Improper Advisory Opinion. 25

IV. Neither Dynatec Nor Grandway USA, Its Successor, Has Standing To Make This Petition. 29

Conclusion 30

TABLE OF CITED AUTHORITIES

Page

CASES

Adams v. Burke,
84 U.S. (17 Wall.) 453 (1873) ..... *passim*

Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co.,
377 U.S. 476 (1964) 23, 24

Bloomer v. McQuewan,
55 U.S. (14 How.) 539 (1852) 10

Bloomer v. Millinger,
68 U.S. (1 Wall.) 340 (1863) 11, 18

Boesch v. Graff,
133 U.S. 697 (1890) ..... *passim*

Brown v. Duchesne,
60 U.S. 183 (1856) 11, 14

Curtiss Aeroplane & Motor Corp. v. United Aircraft Engineering Corp.,
266 F. 71 (2d Cir. 1920) 16, 17, 18

Daimler Manufacturing Co. v. Conklin,
160 F. 679 (C.C.S.D.N.Y. 1908) 15

Daimler Manufacturing Co. v. Conklin,
170 F. 70 (2d Cir. 1909) 15

Cited Authorities

Page

Deepsouth Packing Co. v. The Laitram Corp.,
406 U.S. 518 (1972) 10, 11, 14, 19, 20

Dickerson v. Matheson,
57 F. 524 (2d Cir. 1893) 16, 17

Gardco Manufacturing, Inc. v. Herst Lighting Co.,
820 F.2d 1209 (Fed. Cir. 1987) 17

Griffin v. Keystone Mushroom Farm, Inc.,
453 F. Supp. 1283 (E.D. Pa. 1978) 13, 14, 15, 23

Holiday v. Mattheson,
24 F. 185 (C.C.S.D.N.Y. 1885) 16, 17, 18

Intel Corp. v. ULSI System Technologies, Inc.,
995 F.2d 1566 (Fed. Cir. 1993) 12

Kabushiki Kaishi Hattori Seiko v. Refac Technology Development Corp.,
690 F. Supp. 1339 (S.D.N.Y. 1988) 18

Keeler v. Standard Folding-Bed Co.,
157 U.S. 659 (1895), cited by Petitioners ... 13, 18, 19

Mitchell v. Hawley,
83 U.S. (16 Wall.) 544 (1872) 22

Sanofi, S.A. v. Medical-Tech Veterinarian Products, Inc.,
565 F. Supp. 931 (D.N.J. 1983) 17, 18, 22

Cited Authorities

Page

South Corp. v. United States,
690 F.2d 1368 (Fed. Cir. 1982) 17

United Automobile Workers v. Scofield,
382 U.S. 205 (1965) 29

United States National Bank of Oregon v. Independent Insurance Agents of America, Inc.,
508 U.S. 439 (1993) 25

United States v. Krynicki,
689 F.2d 289 (1st Cir. 1982) 13

United States v. Masonite Corp.,
316 U.S. 265 (1942) 12

United States v. Univis Lens Co.,
316 U.S. 241 (1942) 11, 14, 18

Wilson v. Rousseau,
45 U.S. (4 How.) 646 (1846) 10

Cited Authorities

Page

STATUTES

19 U.S.C. § 1337 ..... 3, 4, 29

28 U.S.C. § 1254(1) 29

35 U.S.C. §§ 271(f) and (g) 14

35 U.S.C. § 295 1

RULE

Fed. R. Civ. P. 44.1 24

OTHER AUTHORITY

19 C.F.R. § 210.75 7

TREATISES

5 Donald S. Chisum,
Chisum on Patents (2001) 20

3 Peter D. Rosenberg,
Patent Law Fundamentals (2d. ed 2001) 20

FOREIGN CASES

Fuji Photo Film Co., Ltd. v. K & J Co.,
Case No. Heisei 8 [1996] (Wa) No. 16,782 (Tokyo District Court, Civil Action No. 46 Dept., August 31, 2000) 24